KOITO MANUFACTURING CO., LTD.

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KOITO INTEGRATED REPORT 2024

Lighting for Your Safety

KOITO

INTEGRATED REPORT 2024

Lighting the Way
for Our Sustainable Future

Lighting for Your Safety
Keeping people and automotive safe

For over 100 years since its establishment, KOITO has been contributing to social development by creating new values sought by customers in all fields of transportation equipment and transportation systems, including automobiles, railways, aviation, marine vessels and others, all guided by the theme of “Light”.

KOITO VISION

Lighting the Way for Our Sustainable Future

Enforcement of Corporate Foundation
Strengthening and reforming “manufacturing and human-development”, enhancement of BCP framework and corporate governance

Sustainable Growth

Launch attractive products promptly

[Lighting Equipment Business]
Develop world leading advanced technologies, increase new orders

[New Mobility Business]
Create new business which contributes to a safety for a next-generation mobility society

Coexistence with the Earth and Society

Be an essential company for all

[Global Environment]
Reduction of environmental impact substance throughout product life cycle

[People, Corporate culture]
Respect for each value, creation of culture and system that enable continuous challenges

Corporate Principles

We will contribute to social development through lighting.

We will step forward to realize our employees’ dreams.

We will support a sustainable society as one of its members.

Corporate Policy

Innovative ideas and decisive action

Corporate Message

Lighting for Your Safety
Keeping people and automotive safe

The KOITO Group Corporate Behavior Charter

1. Sustainable growth and resolution of social issues
2. Trusted corporate activities
3. Compliance with social conventions/ Global management
4. Fair information disclosure and constructive dialogue
5. Respect for human rights
6. Work practice and enhancement of workplace environments
7. Engagement in environmental issues
8. Contribution to society
9. Rejection of relations with anti-social forces/ Comprehensive risk management engagement
10. Role of top management and thorough implementation of this Charter

To Our Stakeholders,

Since its establishment in 1915, the KOITO Group has grown by developing and providing technologies and products that meet the demands of the evolving mobility industry and changing customer needs, guided by our corporate message, “Lighting for Your Safety.”

The business environment surrounding the Group is changing drastically, due to factors such as the shift towards next-generation mobility in the automotive industry, including the development of electric vehicles and autonomous driving, as well as the rise of geopolitical risks and climate change.

We formulated the “KOITO VISION – Lighting the Way for Our Sustainable Future” in November 2022 amidst these changes to demonstrate our unchanging stance as a company that will continue to contribute to the safety and security of transportation society through our products.

FY2023 is the starting year for this, and we are working on the formulation of specific measures to realize this vision. As the first step towards achieving the management targets for FY2030, we have announced the “1st Medium-Term Management Plan” for the three-year period from FY2024 to FY2026. Over the next three years, we will work to thoroughly “strengthen our profitability,” and will lay a solid foundation for our continued growth as a leading company in the automotive lighting industry, while also ensuring the realization of our vision.

Moving forward, the KOITO Group will continue to strive for sustainable growth as a global supplier, under the corporate message “Lighting for Your Safety,” and will strengthen our business activities aimed at solving social issues. We sincerely ask for your continued understanding and support.

President and COO
Michiaki Kato

Chairman and CEO
Masahiro Otake

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Editorial Policy

KOITO has been issuing an "Integrated Report" to help our stakeholders, including shareholders and investors, deepen their understanding of the KOITO Group's efforts to enhance its corporate value over the medium- to long-term and to realize a sustainable society since 2021. "Integrated Report 2024" is edited according to the "International Integrated Reporting Framework" by the International Financial Reporting Standards Foundation and other various guidelines. In this report, in addition to our business performance for FY2023, we have enhanced the disclosures on our 1st Medium-Term Management Plan and financial strategy.
In order to secure fair and effective disclosure, KOITO issues integrated report both in Japanese and English. We hope this report serves to deepen your understanding of the KOITO Group.

Reporting Period

FY2023 (April 1, 2023 to March 31, 2024)

Scope of Report

The KOITO Group
This report includes a section of non-consolidated reports of KOITO MANUFACTURING.

Notes on Future Projections

This report contains future statements including the KOITO Group's future plans, strategies and performance. These future statements are assumptions and beliefs based on the current available data. We therefore wish to caution readers that the actual results may differ materially from our expectations.

Reference Guidelines

"ISO 26000 (Guidance on social responsibility)" -
International Organization for Standardization (ISO)

"International Integrated Reporting Framework" -
International Financial Reporting Standards Foundation (IFRS)

"Guidance for Collaborative Value Creation 2.0" -
Ministry of Economy, Trade and Industry

"SASB Standards" -
Sustainability Accounting Standards Board (SASB)

"GRI Standards" -
Global Sustainability Standards Board (GSSB)

"Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures" -
Task Force on Climate-Related Financial Disclosures (TCFD)

Environment Social Governance
Guidance for Collaborative Value Creation

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Medium- to Long-Term Strategy

The KOITO Group aims to create customer needs under the theme of "Light" and contribute to social development. We will work together as one group, striving to enhance our corporate value in pursuit of realizing the KOITO VISION – Lighting the Way for Our Sustainable Future.

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KOITO VISION and the 1st Medium-Term Management Plan

As the first step towards achieving the "KOITO VISION – Lighting the Way for Our Sustainable Future" and the management targets for FY2030, KOITO has formulated the "1st Medium-Term Management Plan", which is based on the basic policy of strengthening profitability and building a foundation for significant growth as a leading company in automotive lighting equipment.

FY2023 (Results)

Net sales	¥950.2 billion
Operating profit ratio	6%
ROIC	6%
ROE	6%

- Gradually recovered from the impact of automobile production decline due to COVID-19, semiconductor shortages, etc.
- In line with the recovery in automobile production, sales also recovered
- Rationalization activities were implemented in response to deteriorating earnings due to inflation and other factors

Strategy 1
- Building a strong revenue base

Strategy 2
- Expansion of sales and production system

Strategy 3
- Investment in growth to create products and technologies required by society

FY2026 Targets

Net sales (An average annual growth rate of 5% or more)	¥1 trillion or more
Operating profit ratio	8%
ROIC	9% or more
ROE	9% or more

FY2030 KOITO VISION

Operating profit ratio	
ROIC, ROE	
	10% or more

- Begin reaping the results of investments for growth, driving profit expansion
- Consolidated operating profit ratio is expected to recover to 10% or more, due to improvement of profit margin in Japan, the Americas and China

FY2021-FY2023 → 1st Medium-Term Management Plan (FY2024-FY2026) Strengthening profitability → 2nd Medium-Term Management Plan (FY2027-FY2030) Significant growth

Three pillars of KOITO VISION

Under the corporate message "Lighting for Your Safety", KOITO is working to enhance its corporate value and contribute to society by developing business activities with the aim of realizing a safe, secure and comfortable society, with "enforcement of corporate foundation", "sustainable growth" and "coexistence with the earth and society" as central themes.

KOITO VISION

Lighting the Way for Our Sustainable Future

Enforcement of Corporate Foundation

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Sustainable Growth

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Global Environment
Reduction of environmental impact substance throughout product life cycle

People, Corporate culture
Respect for each value, creation of culture and system that enable continuous challenges

Three main strategies of the 1st Medium-Term Management Plan

Strategy1	Building a strong revenue base	KOITO will promote rationalization initiatives tailored to each location, focusing on efforts such as reviewing product design and structure, leveraging digital technologies for innovative manufacturing reforms—such as automating production lines—and further enhancing the competitiveness of component parts.
Strategy2	Expansion of sales and production system	KOITO aims to sustain sales growth to Japanese automobile manufacturers that outpaces the overall automobile market while doubling sales to non-Japanese manufacturers. In line with this sales expansion, KOITO will enhance its global production system across key locations, including Mexico, Brazil, India, and Japan.
Strategy3	Investment in growth to create products and technologies required by society	KOITO will continue to make proactive growth investments centered on the mobility business, with "Light" as its basic theme. KOITO will make investment decisions based on appropriate standards and processes, set exit conditions for each investment, and conduct regular monitoring.

Message from Top Management

The KOITO Group will strive to contribute to society and aim for sustainable growth in corporate value through our efforts to realize the “KOITO VISION” amidst a changing business environment.

President and COO Michiaki Kato

Review of FY2023 and Forecast for FY2024

In FY2023, automobile production increased across all regions compared to the previous year, driven by the gradual recovery from the COVID-19 pandemic and the easing of the semiconductor shortage. However, the business environment for our company remained very difficult, influenced by factors such as the sluggish sales of Japanese vehicles in China due to the growing adoption of electric vehicles (EVs), instances of misconduct by Japanese automobile manufacturers, and the suspensions of production and shipment in North America caused by the UAW strike.

As for our business performance, sales in China declined due to reduced productions of Japanese vehicles. However, we also achieved record high consolidated sales numbers for the second consecutive term, driven by the recovery in automobile production volume in other regions, new orders primarily from Japan and North America, the effects of favorable foreign exchange trends, and other factors.

In terms of profits, while revenue declines in China led to reduced profits, consolidated profits grew across all categories, driven by the positive effects of increased revenue and rationalization initiatives, including group-wide productivity improvements.

In FY2024, the business environment is expected to remain challenging across all regions. In Japan, issues such as misconduct by automobile manufacturers and production reductions caused by natural disasters will persist. Additionally, quality and parts supply constraints issues in North America, and the prolonged slump in sales of Japanese automobiles in China will continue to pose significant challenges. We are continuing to promote rationalization activities as a unified group. However, we unfortunately do anticipate a decline in both revenue and profit compared to the previous fiscal year.

Given these challenges, and given the fact that FY2024 is the start year of the 1st Medium-Term Management Plan, we will steadily implement initiatives to achieve our goals—including investing in the future, even amid the difficult business environment that is expected—and establish a trajectory for making our leap towards 2030.

Background to the Formulation of the 1st Medium-Term Management Plan

The automotive industry is undergoing rapid transformation and is facing an uncertain outlook, driven by the growing adoption of EVs, the anticipated expansion and advancement of Advanced Driver Assistance Systems (ADAS) and automated driving technologies, and the rise of Chinese automobile manufacturers in the global market. Our company is also facing a challenging business environment, affected by the slump in sales and declining market share of domestic automobile manufacturers, as well as the impact of frequent natural disasters.

We formulated the 1st Medium-Term Management Plan against this backdrop, covering the period through FY2026, as a concrete measure to achieve the KOITO VISION, which aims for sustainable growth, and the management targets for FY2030.

Throughout the 1st Medium-Term Management Plan, we aim to strengthen our customer base by expanding sales to overseas automobile manufacturers, and to drive growth through the swift delivery of compelling products. We will also focus on building a robust corporate structure that ensures stable profitability through manufacturing innovations, such as optimizing product designs and automating production lines. In doing so, we will work to establish a solid foundation for significant growth as a leading company in automotive lighting equipment.

Major Management Index

	FY2023 Results	FY2026 Targets	FY2030 KOITO VISION
Net Sales	950.2 billion yen	1trillion yen or more (CAGR of 5% or more)	— (CAGR of 5% or more)
Operating Profit Ratio	5.9%	8%	10% or more
Return on Invested Capital (ROIC)	5.7%	9% or more	10% or more
Return On Equity (ROE)	6.3%	9% or more	10% or more

In the 1st Medium-Term Management Plan, we aimed to demonstrate to our shareholders and investors our commitment to achieving sustainable growth through efficient capital utilization, by presenting not only sales and profit targets, but also specific targets for ROIC and ROE. We are committed to enhancing shareholder returns by steadily increasing dividend levels, in line with our basic policy of providing stable and continuous dividends with a consolidated dividend payout ratio of 40% or more. Additionally, we have decided to flexibly implement share buybacks, considering factors such as share price levels. We will strive to enhance our disclosure of information on our initiatives for the 1st Medium-Term Plan and the KOITO VISON to ensure a clear understanding of their progress and content, while actively engaging in dialogue with our shareholders and investors.

Going forward, we will continue to pursue cutting-edge technologies under our corporate message of “Lighting for Your Safety,” while upholding KOITO’s core strengths and DNA: “Always adopt the perspective of customers to supply products and services that meet their expectation.” Moreover, even amidst this uncertain business environment, we are committed to building a foundation that supports ongoing improvements in corporate value and sustainable growth. We sincerely ask for the continued understanding and support of our stakeholders, including our shareholders and investors.

Financial Strategy

We will ensure financial soundness while making proactive growth investments to drive the sustained enhancement of corporate value.

Senior Managing Corporate Officer,
Finance & Accounting Headquarters
Takahito Otake

Looking Back on FY2023

Regarding our consolidated performance for FY2023, while we achieved increased revenue compared to the previous year, there was a decline in profits, reflecting challenging outcomes. We attribute this primarily to the following key factors.

- Continuation of reduced production of automobiles due to frequent production suspensions in Japan
- Deterioration of profitability due to the rapid rise in labor costs in North America
- Rapid decline in sales and production of Japanese automobiles due to the rapid shift to EVs in China

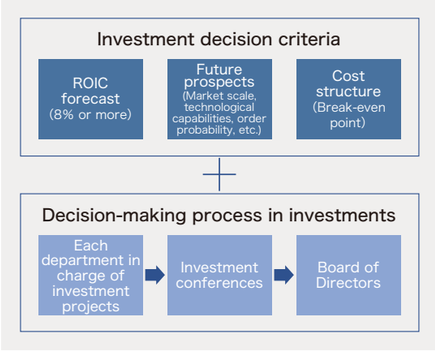
We believe that to sustainably enhance profitability even in the face of significant changes in the business environment, it is essential to diversify our customer portfolio and transform our cost structure. Specifically, we will work to expand our sales by increasing orders from Japanese automobile manufactures and overseas automobile manufacturers, as well as by expanding sales of high-functionality products such as ADB (Adaptive Driving Beam), while also improving profitability through the construction of a flexible production system that responds to production volume and rationalization. We will also aim to dramatically improve productivity through proactive investment in automation and other measures.

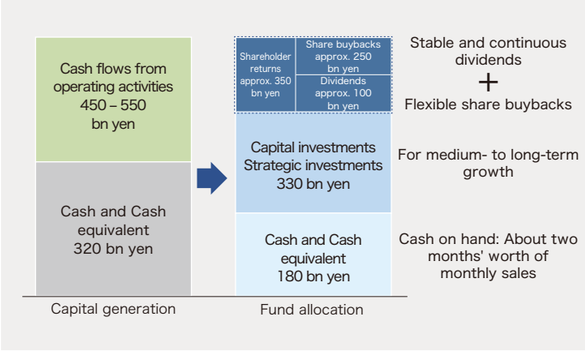
Enhancing Return Certainty Through Strategic and Disciplined Growth Investments

We have formulated and announced the 1st Medium-Term Management Plan as interim targets for achieving the KOITO VISION and management targets for FY2030, with the aim of achieving sales of at least 1 trillion yen, an operating profit margin of at least 8%, and an ROIC and ROE of at least 9% by FY2026. In order to achieve the 1st Medium-Term Management Plan, we believe it is crucial to ensure financial soundness and actively invest in growth. We are planning to build a new Tohoku Plant and invest in capacity expansion in India, Mexico, and Brazil specifically, in order to respond to the increase in orders from overseas automobile manufacturers as well as Japanese manufacturers.

Under the 1st Medium-Term Management Plan, we have also allocated a budget of 50 billion yen for growth investments by FY2026. We will explore themes such as investing in R&D for new businesses, centered on the fields of mobility and infrastructure, and under the theme of "Light"; M&A for future sustainable growth; and investments in carbon neutrality as part of our ESG activities.

We have established clear investment decision criteria and processes for executing M&As in particular, along with exit conditions for each investment project, and will conduct regular monitoring. Our criteria include both quantitative factors, such as the potential to achieve an ROIC of 8% or more, and qualitative factors, such as growth potential in market size and technological capabilities. We are committed to making investments that will undoubtedly deliver returns.





With regards to governance in our ESG activities, we will also consider reviewing the executive compensation system to link it to TSR (total shareholder return) so that the management team can work to improve corporate value while looking in the same direction as the shareholders, in addition to the aforementioned investments in carbon neutrality.

Formulation of Financial Strategies to Optimize Capital Allocation and Strengthening of Shareholder Returns

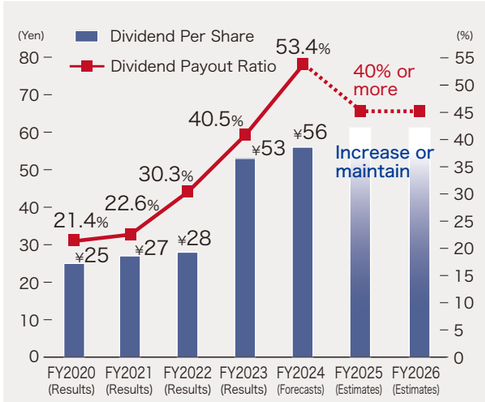
In formulating our financial strategies, we have also been deepening our discussions on optimizing net assets and cash positions, as well as capital allocation in the Board of Directors' meeting. I have actively shared with the Board of Directors the feedback I have gathered through dialogue with shareholders and investors during Investor Relations (IR) activities and have worked to enhance both management efficiency and transparency.

Allow me to elaborate on our philosophy regarding financial strategy. We recognize that our company has been perceived as hesitant regarding shareholder returns, and aim to demonstrate our commitment to consistently returning value to shareholders. To this end, we have designated the five years from FY2024 to FY2028 as a dedicated period for implementing shareholder returns. As of the end of March 2024, we had approximately 320 billion yen in cash and deposits, and our operating cash flow is around 100 billion yen each year. This means we expect to generate 450 to 550 billion yen over the five-year period, which would bring our total to around 850 billion yen. Regarding the allocation of these funds, we plan to reserve an appropriate amount in cash and deposits, equivalent to two months' worth of monthly sales, while also earmarking approximately 330 billion yen for investment in medium- to long-term growth. We are also planning to use approximately 350 billion yen over the five-year period to return profits to shareholders.

To optimize capital allocation and enhance capital efficiency, we will aim to further expand shareholder returns by flexibly implementing share buybacks, while taking into account factors such as the share price and cash and deposit levels, and stable and continuous dividends with a consolidated dividend payout ratio of 40% or more. We are currently implementing a share buyback program with a maximum value of 50 billion yen for FY2024.

We will continue to improve capital efficiency by striking a balance between growth strategies that contribute to sustainable improvement in corporate value, growth investments, shareholder returns, and a sound financial position.

Dividend Policy



Notes: A 2-for-1 stock split of common stock was conducted, effective October 1, 2022.
The information per share is calculated under the assumption that the stock split was conducted at the beginning of the earliest period shown.

Message from an Outside Director

Expectations for KOITO to improve the corporate value over the medium- to long-term by strengthening dialogue with stakeholders

Outside Director Haruya Uehara

Assessment of Our Governance Practices

Over the past few years, KOITO has been rapidly strengthening its governance system. One example of this is the diversity of the Board of Directors. Of the ten directors, four are outside directors, and two of these are female outside directors. While KOITO has faced challenges in achieving overall diversity, with the ratio of female managers still at 2.5%, I expect that KOITO will be able to make further progress in terms of governance if it can produce female directors from within the company.

Our Board of Directors' meetings are characterized by productive discussions. Most of the members who take part in discussions at the Board of Directors' meetings are outside directors, but the minutes of the executive meetings leading up to these discussions reveal a significant amount of internal lively debate. I believe that the governance system is reassuring in that the results of discussions within the company are deliberated at the Board of Directors' meetings and thoroughly checked from the objective perspective of outside directors with a wide range of knowledge.

KOITO mainly manufactures and sells automotive lamps. Due to the recent series of misconduct that have been revealed in the automotive industry, outside directors have raised this issue at the Board of Directors' meetings and have thoroughly confirmed our approach to the issue. Looking at the discussions so far, I can see that KOITO has a very serious attitude towards compliance, and that it does not have a corporate culture that tolerates rule-breaking. As an outside director who represents the voice of the shareholders, I intend to fulfill my responsibilities by addressing and verifying any discrepancies when something seems inappropriate.

Formulation of the 1st Medium-Term Management Plan

In March 2024, KOITO announced the 1st Medium-Term Management Plan, which covers the period from FY2024 to FY2026. In drawing up the plan, KOITO held a meeting of the Capital Policy Committee that also brought in outside experts. I attended as an outside director and took part in discussions on how to improve the corporate value over the medium- to long-term. Looking back on the process from the planning stage to the announcement, in particular, I highly value the fact that KOITO was able to raise the issue of the shareholder return policy as part of the capital strategy and announce specific figures.

Restoring the PBR to 1 or greater as a listed company is also a crucial management issue for KOITO, as per the request of the Tokyo Stock Exchange. While reflecting on the way we have engaged with investors and the capital markets to date, we have discussed how we can simultaneously promote growth investment and shareholder returns, and how we can link this to the improvement of our corporate value over the medium- to long-term, rather than seeing them as mutually exclusive.

KOITO has set a sales target of over 1 trillion yen for FY2026, and to achieve this the company needs to grow at an average rate of over 5% per year. While KOITO is a leading automotive lighting equipment company, sales of automobiles have been lacking worldwide, and the company cannot be optimistic if it relies solely on automotive-related sales. KOITO is also investing in sensor products such as automotive LiDAR, which it expects will be profitable in the future. However, it must accelerate its efforts to ensure that these investments bear fruit quickly, with an eye on the next five and ten years. In the past, KOITO has achieved a certain level of investment results approximately every five years with LED headlamps, ADB (Adaptive Driving Beam), and BladeScan™ ADB, and I hold high expectations for continued success in this area as well.

Aiming for the Medium- to Long-Term Improvement of Corporate Value

KOITO has various stakeholders, not only shareholders and investors, but also employees who work at the company, and people in the local community. At the regular Board of Directors' meetings, I feel that KOITO is very conscious of fulfilling its corporate responsibilities while taking into account the perspectives of these various stakeholders. As a company that not only plays a role in social infrastructure but also has its main base in Shizuoka Prefecture, we have specifically created value for the local community in terms of securing local employment.

Furthermore, the driving force behind the achievement of the goals in the 1st Medium-Term Management Plan will be the efforts of our employees, who are the backbone of the company. KOITO is a collection of enterprising and honest people, and we have fostered a corporate culture that is open and free-flowing, so that our employees can work at a high level of performance.

The business environment is undergoing drastic changes, but I hope that KOITO will continue to contribute to the creation of a society where people can drive safely, including through the use of automated driving, while expanding its product lineup. I also hope that by strengthening dialogue with shareholders and investors and actively disseminating information, KOITO can convey its boundless potential to as many people as possible. I too will strive to make a meaningful contribution to the KOITO's sustainable growth.

Main Strategies of the 1st Medium-Term Management Plan

Strategy 1 Building a Strong Revenue Base

Overview To build a strong revenue base, we will promote rationalization initiatives tailored to each plant, including product design and structural reviews, as well as transformative improvements in manufacturing processes through the adoption of digital technologies, such as production line automation, with the aim of further enhancing our competitiveness.

Review of product design/structure

Achieve cost reductions through the evolution of LED standard units

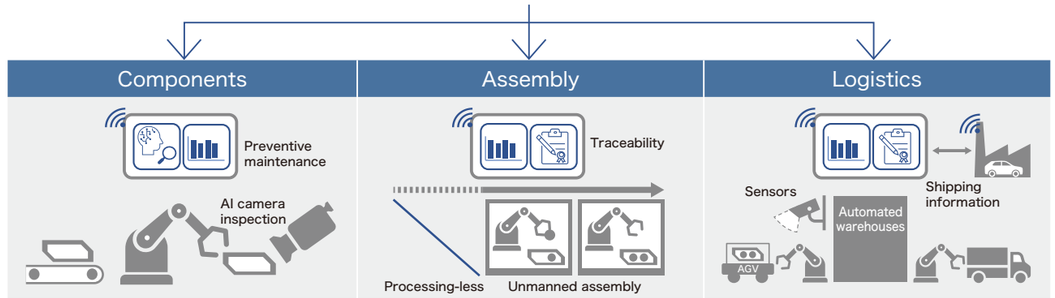
Current unit (Benchmark)

50% reduction in target cost of LED units

Next unit (Market launch target for FY2026)

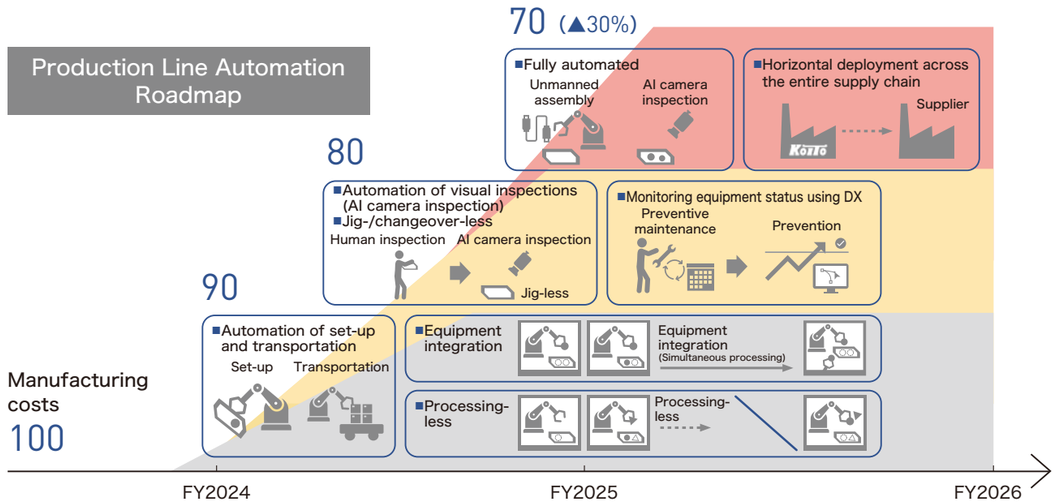
Promote innovative manufacturing through the leveraging of digital technologies, such as the automation of production lines

Achieving a 30% reduction in manufacturing costs [Automation / Digitization / Optimization]



	Components	Assembly	Logistics
Automatization	Good or bad judgement with AI camera	Fully automated	Automated loading/shipping warehouses
Digitalization	Prevent maintenance by utilizing DX	Strengthen procurement/manufacturing traceability for quality assurance	Prompt identification of production/shipping information
Optimization	Processing-less and treatment-less	Processing-less and jig-less	Shortest transportation time in the plant through the use of sensors

Production Line Automation Roadmap

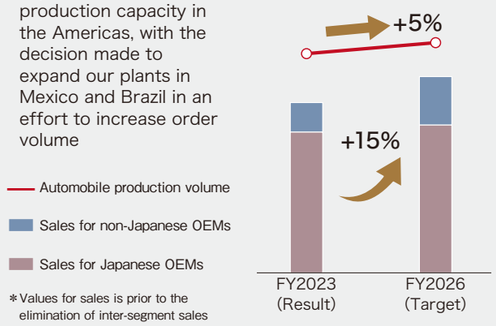


Strategy 2 Expansion of Sales and Production System

Overview We will expand our sales to OEMs at a rate surpassing that of the automobile market for Japanese manufacturers, and double our sales to non-Japanese manufacturers. Furthermore, as our sales increase, we will enhance our production capabilities at multiple locations worldwide, including Mexico, Brazil, India, and Japan.

Initiatives for expanding sales (Americas)

- In anticipation of solid market growth in South America, our customers are revitalizing capital investment, including the construction of new production lines in Mexico, Brazil, and other countries
- Expand overall production capacity in the Americas, with the decision made to expand our plants in Mexico and Brazil in an effort to increase order volume



*Values for sales is prior to the elimination of inter-segment sales

Market Trends / Our Order Share

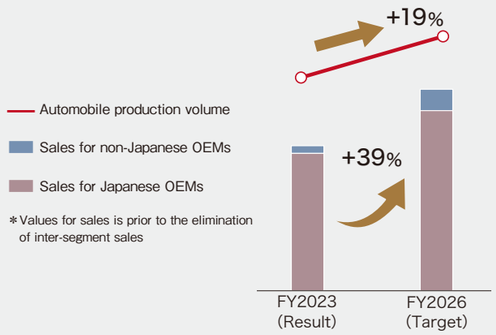
- **The overall number of automobiles produced in the Americas market is expected to gradually increase**, driven by a recovery in demand in North America and steady growth in South America.
- While maintaining a 60% share of orders from Japanese manufactures, our share of orders from the "Detroit Three" is projected to reach **14%** in FY2026, a significant increase compared to 8% in FY2023.

Initiatives for Sales and Order Expansion

- Through proactive promotion of new technology proposals to American companies, including innovative LED units, **we have secured new orders for headlamps for mass-production Ford and GM vehicles. As a result, sales to American automobile manufactures is projected to approximately double by FY2026.**
- To enhance production capacity for North and South America, **we plan to expand our bases in Mexico and Brazil.** We will also continue to promote the sales of high-performance lighting products, such as ADB (Adaptive Driving Beam), with the aim of further increasing sales.

Initiatives for expanding sales (India)

- Gujarat Plant started operations to catch up with the growing demand in India, which has become the world's most populous country
- Started operation in March 2024



*Values for sales is prior to the elimination of inter-segment sales

Market Trends / Our Order Share

- Indian production volumes have reached record highs for two consecutive years. Japanese automakers, led by SUZUKI MOTOR CORPORATION—the market leader—continue to grow, while Indian automakers are actively expanding production capacity and launching new models. **As a result, both Japanese and Indian automobile manufactures are projected to achieve double-digit growth by FY2026 compared to FY2023.**
- Order Share
  Japanese Manufactures: Projected to maintain over 40% amid significant market expansion and new orders.
  Indian Manufactures: Expected to expand to 7% in FY2026, driven by new orders secured for Tata Motors Limited amid the transition to LED technology.

Initiatives for Sales and Order Expansion

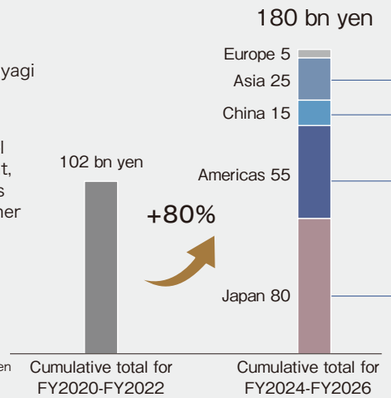
- By expanding its lineup of LED units and promoting local procurement, **we have secured new orders from Tata Motors Limited** and other customers, with sales to Indian manufactures projected to grow ninefold by FY2026. Additionally, **sales of high value-added lamps, such as ADB and long lamps, to Japanese manufacturers are growing.**
- **The new Gujarat plant commenced operations in March 2024.** In addition to meeting the growing demand from customers (Maruti Suzuki India Limited and Tata Motors Limited) in the western region, **the plant will feature state-of-the-art equipment** aligned with emerging specification trends, with the aim of expanding sales.

Main Strategies of the 1st Medium-Term Management Plan

Strategy 2 Expansion of Sales and Production System

Trends in capital investment (Consolidated)

- State-of-the-art plant with inspection robots utilizing cameras and AI(Natori City, Miyagi Pref. / Scheduled to begin operations in FY2026)
- Designate the plant as a model plant for automated equipment, with the plant disseminating its expertise and know-how to other plants



*Unit in the graph is bn yen

- Start operation of Gujarat Plant
- Introduction of process integration equipment

- Capital investment in new products such as long lamps
- Introduction of process integration equipment

- Plant expansion in Mexico and Brazil
- Automation of manufacturing/ transportation processes in the U.S.

- Establishment of a new plant in the Tohoku region (state-of-the-art plant using robots/AI)
- Capital investment for carbon neutrality, DX, etc.

Strategy3 Investment in Growth to Create Products and Technologies Required by Society

Overview Going forward, we will continue to actively invest in growth, with a focus on the mobility business and with "Light" as our basic theme. We will also make investment decisions based on appropriate standards and processes, set exit conditions for each investment, and conduct regular monitoring.

Implement growth investments with a focus on the mobility business, under the basic theme of "Light"

Growth investments

Total investment :

50 bn yen across 3 years

- R&D investment in new businesses
- Proceed with M&A if it is determined that this will drive sustainable growth in the future
- Aggressively invest in carbon neutrality as part of ESG investments

Investment decision criteria and process

Make investment decisions based on appropriate criteria and processes
Establish withdrawal conditions for each investment and monitor them regularly

Investment decision criteria

- ROIC forecast (8% or more)
- Future prospects (Market scale, technological capabilities, order probability, etc.)
- Cost structure (Break-even point)

+

Decision-making process in investment

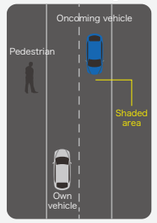
Each department in charge of investment projects → Investment conferences → Board of Directors

Initiatives for Sustainable Growth: Sales Expansion of ADB

ADB (Adaptive Driving Beam) is an advanced headlamp system that improves nighttime driving safety by maintaining excellent forward visibility for the driver at a level similar to high beams, while preventing glare for oncoming or preceding vehicles. We aim to address societal challenges, such as reducing traffic accidents, by equipping a wide range of vehicles—from luxury cars to compact cars, mini vehicles, and trucks—with ADB systems.

Furthermore, ADB is also a high-value product, with its unit price approximately 1.7 times that of standard LED headlamps. This makes it a promising contributor to the Group's profitability as its adoption expands. We are actively engaging in development and market expansion initiatives, with the goal to increase the ADB installation rate from around 9% in FY2023 to 20% by FY2030.

Illumination image

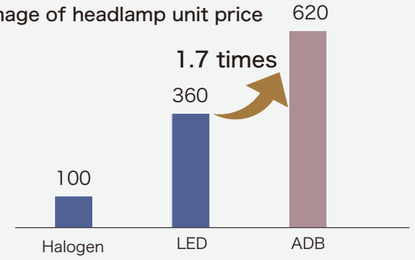


Driver's View

With ADB

Without ADB

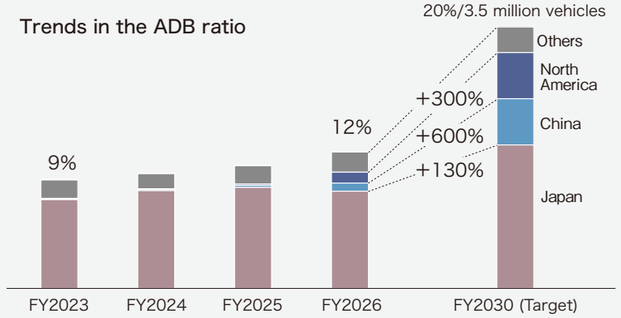
Image of headlamp unit price



Trends in Sales Expansion of ADB

- The ADB installation ratio in FY2023 was 9%, and sales will expand mainly in Japan until FY2026.
- Subsequently, expansion is expected, particularly in North America and China.

Trends in the ADB ratio

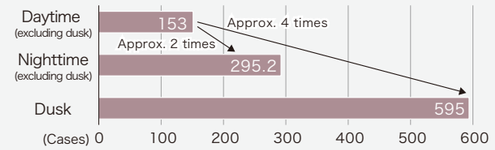


High Beams Help Reduce Accident Mortality

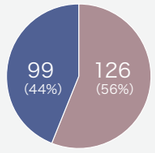
The number of traffic accident fatalities in Japan is approximately 3,000 per year. The highest incidence of fatal accidents occurs between 5:00 P.M. and 7:00 P.M. (dusk), with "vehicle-to-pedestrian" accidents being two to four times more frequent during this period compared to daytime. This is believed to result from deterioration in driver visibility at dusk, which increases the likelihood of accidents involving pedestrians. Moreover, an analysis of fatal "vehicle-to-pedestrian" accidents revealed that a substantial number of these accidents could likely have been prevented if high beams had been used effectively.

High beams, which make it possible to see pedestrians from further away, are effective in preventing traffic accidents in dark driving environments.

Number of "vehicle-to-pedestrian" death accidents by time period (2015-2019 cumulative)



Probability of collision avoidance by high beam



- Accidents that are likely to have been avoided
- Accidents with a low probability of collision avoidance

225 (cases) in total

*Prepared based on the National Police Agency's "Prevention of Nighttime Pedestrians Accidents through the Advanced Use of High Beam" https://www.npa.go.jp/bureau/traffic/anzen/highbeam.html

Technology Strategy

We are committed to developing technologies that deliver safety and security to everyone participating in traffic.

Amid the significant transformations in the automotive industry, including the shift towards electrification and automated driving, KOITO is committed to fostering a mobility society where everyone can live safely, securely, and comfortably. We achieve this by delivering innovative products centered around the theme of "Light," including advanced lighting solutions, sensors for Advanced Driver Assistance Systems (ADAS), and automated driving technologies that benefit drivers and everyone participating in traffic.

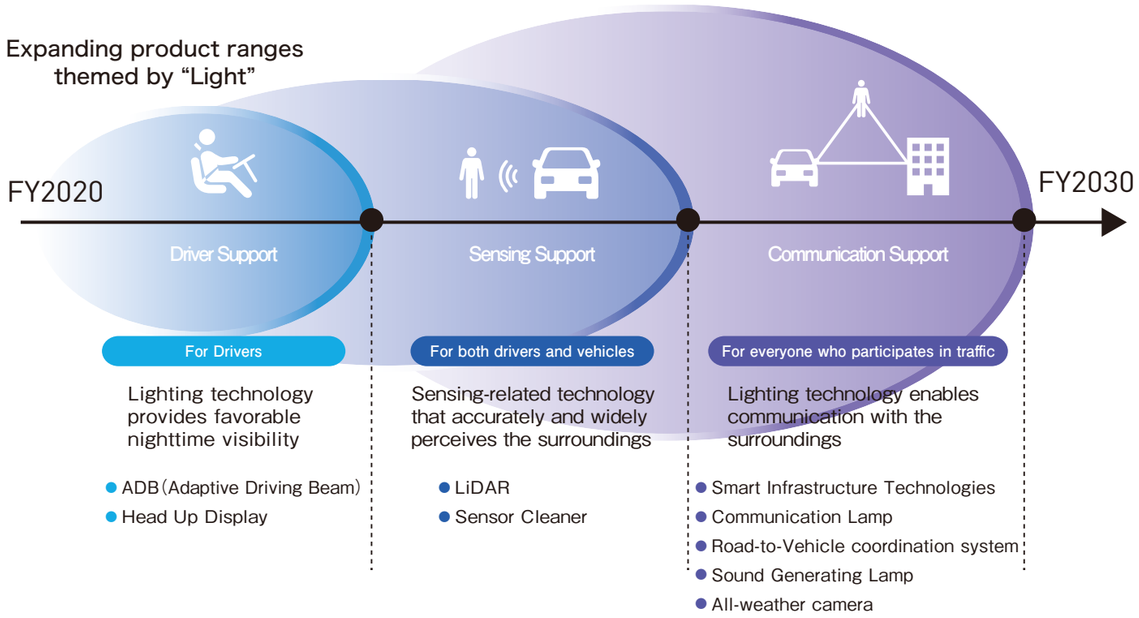
We are thus engaged in developing high-performance lamps such as ADB (Adaptive Driving Beam), which enhances nighttime visibility, as well as LiDAR, a critical sensing technology for autonomous driving, and communication lamps. By leveraging these cutting-edge technologies, we aim to deliver high-value-added products that incorporate innovative lighting solutions.

As for LiDAR, we have been steadily making progress towards realizing a return on our previous investments, such as winning orders for short-range LiDAR for in-vehicle use, developed in collaboration with Cepton Technologies, Inc. in the U.S., for use in Level 4 autonomous vehicles (fully automated driving under specific conditions, such as on highways or in limited areas).

We will continue to pursue the possibilities of "Light" and aim to develop technologies that contribute to solving the issues of transportation societies, while also working towards further growth as a leading company in the lighting industry.

Senior Managing Corporate Officer, Engineering Headqurters

Takayuki Katsuda

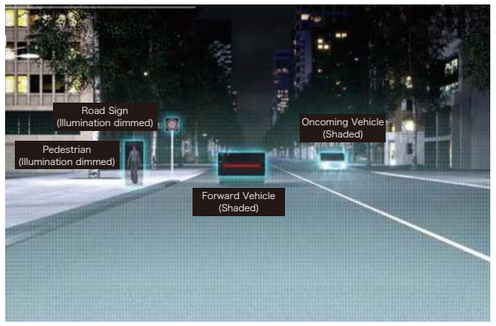


Driver Support: High-Definition ADB

ADB (Adaptive Driving Beam) is an advanced headlamp system that utilizes an onboard camera to detect vehicles ahead and adjust the high beam accordingly, dimming only specific sections to avoid dazzling oncoming or preceding vehicles. This innovative system enhances nighttime visibility for drivers, facilitates early pedestrian detection, and contributes to accident prevention.

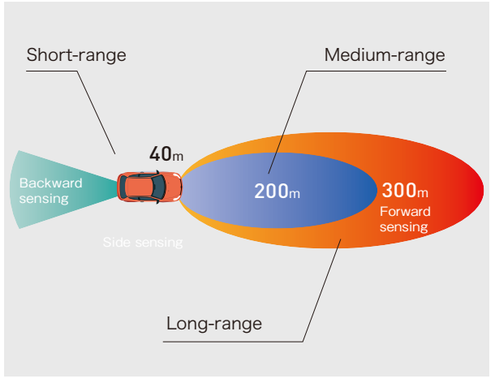
Currently, KOITO is developing a High-Definition ADB system that uses 16,000 LEDs to achieve precise light control. This technology dynamically adjusts various lighting patterns to suit surrounding vehicles, pedestrians, and road environments.

The High-Definition ADB minimizes the dimmed area around the vehicles ahead while reducing glare and reflective dazzle for pedestrians and traffic signs, by carefully adjusting light intensity. This ensures an optimal field of vision not only for drivers but also for pedestrians and onboard cameras.



Sensing Support: LiDAR

Sensors that can detect the position and distance of distant vehicles and pedestrians instead of the driver's eyes are essential for the development of ADAS and autonomous driving vehicles. Among these, LiDAR is considered an essential sensor, as it is capable of emitting infrared laser beams and using their reflections to precisely determine the distance and shape of obstacles.

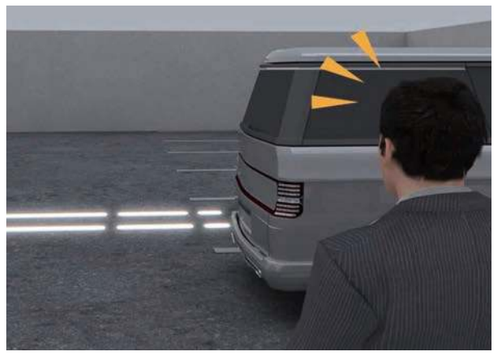


KOITO is leveraging its expertise in lamp technologies to collaborate with LiDAR manufacturers such as Cepton Technologies, Inc. in the U.S., to develop a comprehensive lineup of LiDAR sensors for short-, medium-, and long-range detection. This enables us to meet diverse needs and support 360-degree monitoring of not only automobiles but also industrial, construction, and agricultural vehicles, thereby contributing to enhanced safety across a variety of mobility applications.

Communication Support: Road Projection Lamps

Seamless communication between humans and vehicles will be vital for their safe and comfortable coexistence in a mobility society with widespread use of autonomous driving.

KOITO facilitates this interaction through the power of "Light," swiftly conveying essential information such as vehicle status, driver intentions, and messages to users and pedestrians. This approach ensures smooth and safe traffic flow for everyone involved in traffic.



Human Resource Strategy

We enhance corporate value through sustainable employee engagement.

KOITO is committed to enhancing corporate value and contributing to society under the corporate message, "Lighting for Your Safety." To achieve our vision, we are focused on leveraging human resources effectively.

In alignment with the Sustainable Development Goals (SDGs) of "Leave no one behind" and ensuring "Well-being for all," we actively promote a culture and systems that respect diverse values, regardless of individuals' nationality, gender, or other individual characteristics, enabling employees to thrive and continuously embrace challenges. We recognize the importance of "diversity promotion" and "work style reform" in particular as key initiatives. We are dedicated to attracting and empowering a diverse workforce while creating a workplace environment conducive to productivity and well-being.

To further this commitment, we have recently conducted an engagement survey (employee satisfaction survey) targeting all employees, and will incorporate the results into the planning of future initiatives.

Senior Managing Director
In charge of Personnel Department

Katsuyuki Kusakawa

The Human Resources Required for KOITO's Sustainable Growth

KOITO is seeking human resources that will actively take on the challenges of various changes and is working to create a workplace where each and every employee can feel their own growth and work energetically, and to review and revise various HR systems to improve job satisfaction.

We are also working to share issues and initiatives through career interviews with superiors and to revitalize communication and collaboration between employees in order to create an organizational culture in which the entire group can work together to achieve results through inter-departmental dialogue, collaboration, and cooperation.

At the same time, we recognize that a variety of perspectives and values are essential for sustainable growth, and we are working to ensure diversity among our core personnel by setting targets for the promotion of women, foreign personnel, and mid-career hires to management positions.

Goal for Ensuring Diversity Among Core Personnel

Unit: (%)

Indicator		FY2022 Results	FY2023 Results	FY2025 Targets
Diversity	Percentage of Women in Senior Management	1.8	2.5	3.0
	Percentage of Foreign Nationals in Senior Management	0.2	0.3	1.0
	Percentage of Mid-career Hires in Senior Management	8.0	9.5	10.0
Work style Reform	Women's childcare leave utilization rate	100	100	100
	Men's utilization rate of childcare leave and leave for childcare purposes	83	100	100

Strategies for Securing Human Resources

Recruitment

Our new graduate recruitment activities involve round-table discussion sessions centered on dialogue between students and young employees; one-day work experience programs throughout the year to promote understanding of corporate activities and the type of human resources KOITO seeks; direct communication of employee personality and the appeal of our corporate culture; and the fostering of goodwill and sympathy towards KOITO. We will also work to enhance our corporate image by strengthening public relations activities for both new graduates and career recruits.

Training and Education

We recognize that human resource development is important for achieving sustainable growth. Our human resource development is focused around establishing an education system that includes job rank-based education, specialized education, and global education, based on the idea that "Manufacturing is human development" and that "Employees are the driving force behind corporate growth," and under the key concept of "Communication and collaboration."

The job rank-based education involves management training based on qualifications and position, while specialized education involves 372 courses both inside and outside the company, including highly challenging courses on topics such as data science and sensors. A total of 10,122 people have already taken part (FY2023 results).

In our global education, we place a strong emphasis on cross-cultural training, e-learning, and language education, including local language education. We also dispatch young engineers and researchers to the Silicon Valley R&D Lab, where they engage in exploring venture companies in the United States, as part of our human resource development initiatives.

We also provide a wide range of career support, including career development education for female employees, diversity management training for managers, and career interviews tailored to individual life plans.

		FY2021	FY2022	FY2023
Number of days of annual paid leave taken per employees		16.5	16.3	16.9
	Acquisition rate (%)	82.5	81.5	84.5
Average monthly overtime hours (hours)		9.3	10.9	12.3

Employee Retention

We are working to create an environment where each and every employee can maximize their abilities, and are working to improve work-life balance, with a focus on reducing long working hours and promoting the use of annual paid leave. Specifically, as part of our efforts to promote flexible and diverse working styles, we have introduced a new system for taking annual paid leave in hourly units, in addition to our existing system for working from home, starting April 2024.

As part of our efforts to improve engagement, we conducted an engagement survey targeting all employees in FY2023, and are analyzing the issues that were uncovered through the lens of satisfaction with business strategy and the workplace environment, job satisfaction, career advancement opportunities, etc., and are working on considering new measures.

With regard to childcare and nursing care systems, we have established systems that go far beyond the legal requirements, such as shorter working hours that employees can adopt until their child finishes elementary school. Due to our active promotion of male participation in childcare, we have also achieved a 100% fulfillment rate for childcare leave and leave for childcare purposes in FY2023 by both male and female employees. In order to continue this in the future, we will deepen our understanding of childcare throughout the workplace and aim to create an organization and environment where people can play an active role in the company regardless of gender. As a result, we were able to receive "Kurumin certification" in FY2024.

Human Resource Strategies that Help Improve Corporate Value

KOITO works towards sustainable growth by maximizing added value through initiatives like productivity improvements. We raise wages, enhance work-life balance, and provide training and education that enable employees to recognize and experience their own growth, based on the results and earnings we achieve.

With regard to wage increases, we strive to appropriately evaluate the achievements and performance of our employees, adjusting wage levels in alignment with economic conditions, price trends, and our business circumstances. We are also committed to fostering an organizational culture and environment in which employees can play active roles regardless of gender, in order to enhance work-life balance.

Through these efforts, we are working to create systems and workplaces where employees can feel a sense of fulfillment and satisfaction in their work, and will continue to provide sustainable returns to our employees, while also working to achieve sustainable growth and contribute to further improvements in corporate value.

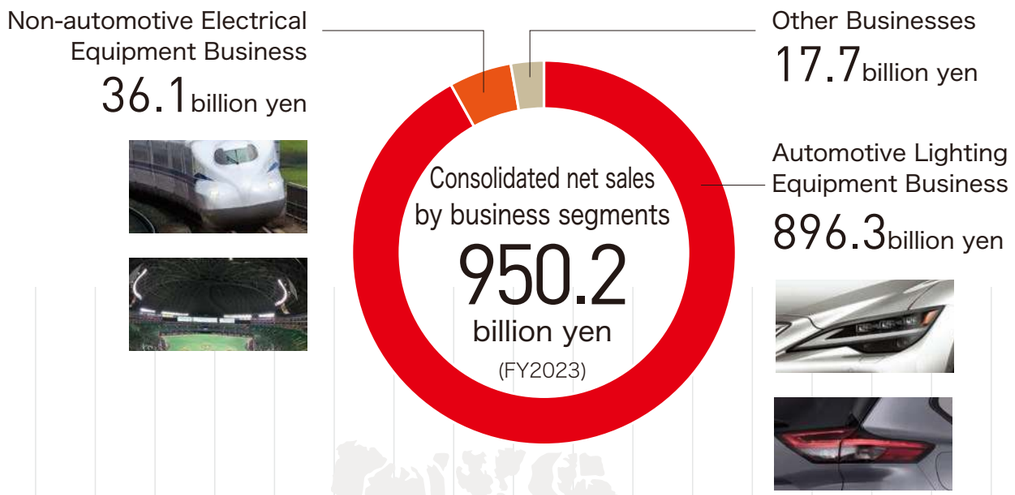
Please refer to the "ESG Data" section of our website for human resources data.
https://www.koito.co.jp/english/sustainability/esg/data-society/

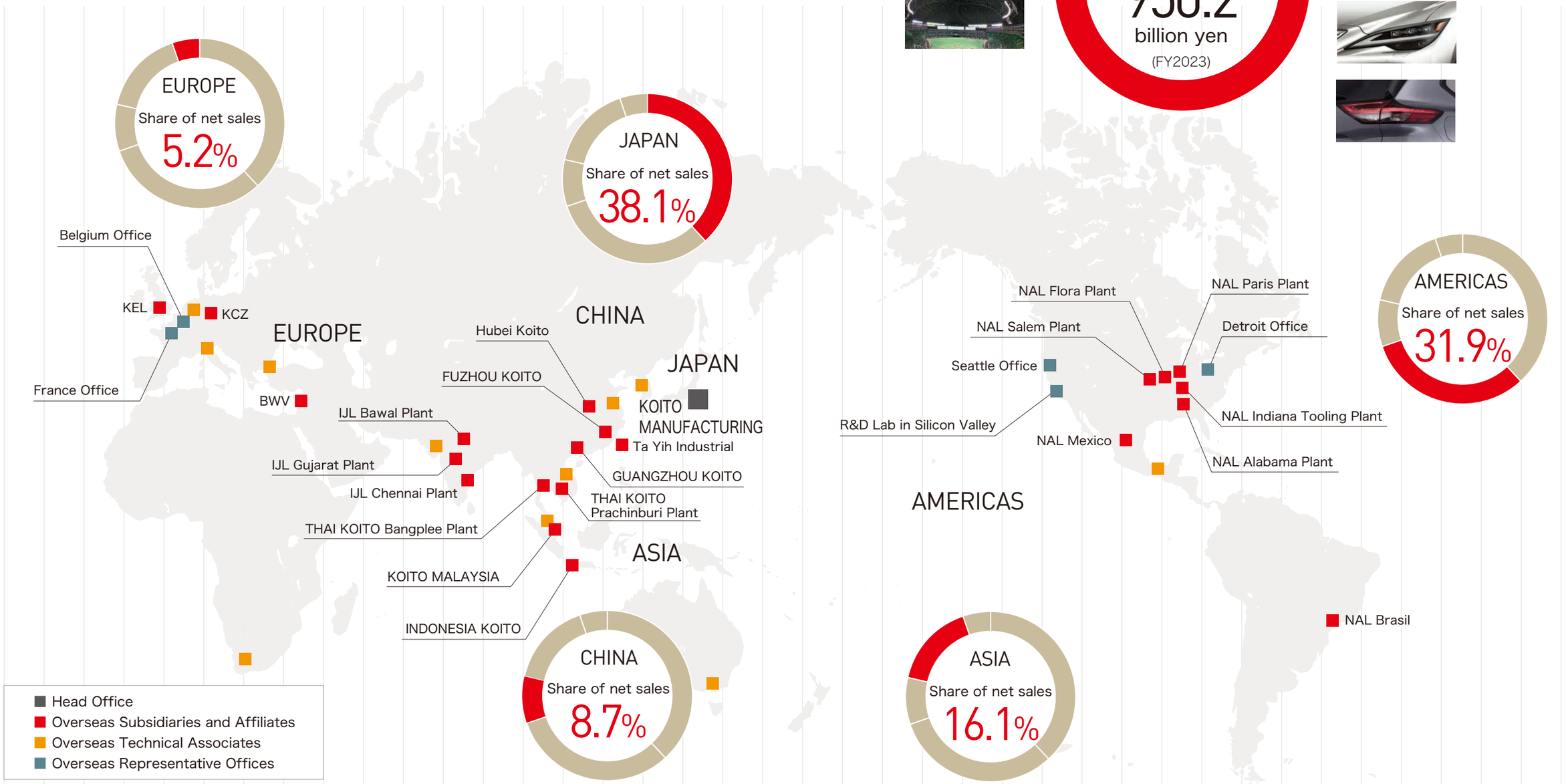
Business Overview

The KOITO Group consists of a total of 30 companies, including 16 domestic companies and 14 overseas companies in 12 countries. We provide products and services to customers all over the world, through our global network led by five major regions of the world (Japan, Americas, China, Europe and Asia).

We deploy a development and production system that accurately captures the needs of each country from a global perspective and will continue to pursue better operations to keep our QCDD (Quality, Cost, Delivery and Development) to the highest level based on the stance of “customer-first”.

Through our mutually complementary supply network among affiliated companies that leverage our global network, we have been stably providing products and services to customers worldwide amid the COVID-19 pandemic.





Business Overview

	FY2023 Results	TOPICS	The 1st Medium-Term Management Plan Operating Profit Ratio Forecast
JAPAN	Despite some impact in the latter half of the term from production and shipment suspension caused by misconduct among automobile manufacturers, sales rose 12.7% from the previous fiscal year to 361.7 billion yen. This growth was driven by increased automobile production, supported by a recovery in exports due to the easing of semiconductor shortages and the depreciation of the yen.	In order to respond to automobile production in the Tohoku region, contribute to the reconstruction of the Tohoku region, and to diversify risk in the event of a disaster, we have decided to open a new automobile lighting equipment production plant in Natori City, Miyagi Prefecture, which will serve as our fifth domestic production base. The plant is scheduled to begin operation in 2026 and produce 500,000 units per year. Our aim is to make this a model plant for high-efficiency production within the KOITO Group by incorporating the latest automated equipment and leveraging digital technologies.	Enhancement of production systems (Efficiency improvement) Operating profit ratio FY2023 (Non-consolidated) 5.4% → FY2026 (Non-consolidated) 6%
AMERICAS	Despite the challenges posed by the UAW strike and a cold wave, sales grew 15.1% from the previous fiscal year to 303 billion yen, driven by a recovery in automobile production volumes, new orders, and the effects of favorable foreign exchange trends.	KOITO is intensifying its sales efforts targeting U.S.-based automobile manufacturers, which has resulted in steady growth in sales to the Detroit Three (General Motors (GM), Ford, and Stellantis). Sales have been steadily expanding, and we expect it to grow by up to 14% by FY2026.	Expanding and optimizing production (Capacity increase and efficiency improvement) Operating profit ratio FY2023 0.8% → FY2026 5%
CHINA	The number of automobiles produced increased compared to the previous year, driven by growing sales of local manufacturers amid the shift to EVs. However, sales declined 11.5% from the previous fiscal year to 82.3 billion yen due to the ongoing downturn in Japanese automobile sales.	In October 2022, we opened a development center at GUANGZHOU KOITO, where we have engaged in cost reduction activities, and worked to strengthen of the local sales and development system. We are beginning to see the effects of improved profitability, such as an increase in orders from local EV manufacturers, by engaging in advanced development and other development closely linked to automobile manufacturers.	Strengthening profitability through downsizing and China-specific strategy Operating profit and loss FY2023 △0.5 billion yen → FY2026 5%
ASIA	In Thailand and Indonesia, production declined due to sluggish sales driven by factors such as rising interest rates. Conversely, demand in India grew in line with economic growth. Overall, sales increased by 5.3% from the previous fiscal year to 153.3 billion yen, due to factors such as the increased production of automobiles and favorable foreign exchange rates.	INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL) has established its third plant, the Gujarat Plant, which began operations in March 2024. Through this plant, we will respond to the increase in automobile production and expansion of orders, including EVs, in western India.	Maintaining high-profit structure (India plant expansion) Operating profit ratio FY2023 9.6% → FY2026 10%
EUROPE	Net sales increased 19.8% from the previous fiscal year to 49.8 billion yen due to factors such as the recovery in automobile production volumes and favorable foreign exchange rates.	In Europe, we are expanding our business in the UK and the Czech Republic. Koito Czech s.r.o. (KCZ) expanded its plant building in May 2020 in order to meet the growing demand for new orders. R&D is being carried out by the technical section of KCZ, which is actively gathering technical information and conducting development and design work for both local and Japanese automobile manufacturers.	Targeting profitability from FY2027 onward Operating profit and loss FY2023 2.8% → FY2026 △0.5 billion yen

Major Global Efforts

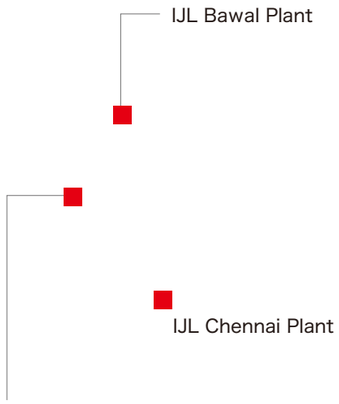
Commencement of Operations at the Gujarat Plant in India

India's growing population and economic development means the medium- to long-term growth of the automotive industry is expected to continue, and our order volume has also been on the rise.

In response to this, our subsidiary INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL) established the Gujarat Plant to meet the growing demand for automotive production and orders for EVs and other products in western India, with operations beginning in March 2024.

This is our third production base for automotive lighting equipment in India, following the Bawal Plant (State of Haryana) in the north and the Chennai Plant (State of Tamil Nadu) in the south.

The Gujarat Plant will improve QCD (Quality, Cost and Delivery) through high-efficiency manufacturing, including the proximity and integration of processes, and is expected to have a production capacity of 500,000 units for both automotive headlights and signal lights in FY2025.



Negotiations Towards the Acquisition of Cepton, Inc. as a Subsidiary

The development of systems for Advanced Driver Assistance Systems (ADAS) and autonomous driving means there is increasing demand in the automotive industry for sensors to monitor the area surrounding vehicles. In particular, LiDAR is expected to expand its market, becoming an essential sensor in the future, due to its excellent detection range, detection accuracy, precision, etc.

KOITO and Cepton Technologies, Inc. ("Cepton"), a U.S. company, began joint development of LiDAR in 2018, and are working on the development of short-, medium- and long-range LiDAR, aiming to respond to a wide range of needs related to sensor-based peripheral monitoring. This includes its use in vehicles such as passenger cars, industrial machinery, construction machinery and agricultural machinery, as well as in infrastructure-related areas.

The combination of the KOITO Group's technology, know-how and track record in the automotive lighting, traffic systems businesses, and more, and Cepton's technological capabilities in LiDAR—for instance, Micro Motion Technology—is highly regarded by many customers, including automobile manufacturers. By making Cepton a subsidiary, we will further strengthen our market competitiveness in the LiDAR business, including with regards to the QCDD (Quality, Cost, Delivery and Development).

We have long contributed to the realization of a safe and secure transportation society through "Light," in the form of automotive lighting equipment, under our corporate message, "Lighting for Your Safety." By adding the "Light" of LiDAR sensors to our product lineup, we will contribute to the safety and security of the next-generation mobility society, which will feature the widespread use of ADAS and automated driving. We will also be able to aim for sustainable corporate growth by providing even higher value-added products through the synergy of these automotive lighting and sensor technologies.

Efforts for Sustainable Growth

Staying true to our basic stance to adopt the perspective of customers and users, the KOITO Group is contributing to the realization of a safe and comfortable society by providing high-value-added products and services. We aim to foster mutually beneficial relationships with all stakeholders, including shareholders, customers, employees, and business partners.

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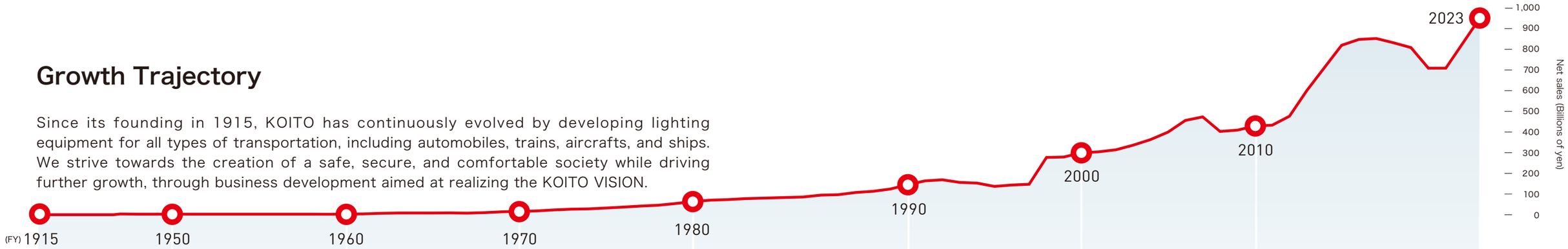
Growth Trajectory

Since its founding in 1915, KOITO has continuously evolved by developing lighting equipment for all types of transportation, including automobiles, trains, aircrafts, and ships. We strive towards the creation of a safe, secure, and comfortable society while driving further growth, through business development aimed at realizing the KOITO VISION.



Founding Period

1915
Koito Genrokuro Shoten founded

Founder Genrokuro Koito established Koito Genrokuro Shoten in Kyobashi-ku, Tokyo (current Kyobashi, Chuo-ku, Tokyo) to sell Fresnel lenses for railway signal lamps—the first of its kind to be produced in Japan, starting in 1912.

1927
Development of Japan's first Golden Glow front light for railroads

As the development of the railway network progressed, KOITO developed a Golden Glow headlamp for safer night-time railway operations. The use of uranium glass in the reflector prevented glare and allowed for the emission of high-transmission light, capable of illuminating even through rain, fog, and dust.

1936
Entered the automotive lighting equipment business

KOITO began producing headlamps for four-wheeled vehicles based on its experience supplying headlamps to military motorcycles with sidecars ("Kurogane") in 1932 and three-wheeled trucks in 1933. Began supplying headlamps for the AA passenger cars to the automotive department of Toyoda Automatic Loom Works, Ltd. (current Toyota Motor Corporation) in 1936. This was the start of KOITO's participation in the automotive lighting equipment business, which has allowed it to contribute to the creation of a safe and comfortable automotive society.

Post-War Reconstruction and Expansion Period

1950
Development of semi-sealed beam headlamps

Seeing the brightness of U.S.-made all-glass sealed beam headlamps, KOITO developed and succeeded in commercializing semi-sealed beam headlamps in August 1950. The semi-sealed beam headlamps were adopted in various domestic automobiles until the development of all-glass SB headlamps.

1957
Start of production and sales of all-glass sealed beam (SB) headlamps

Since 1951, KOITO has been developing all-glass SB headlamps with higher luminous flux than SSB headlamps. KOITO succeeded in its commercialization in 1957 after a series of trial manufacturing and improvement processes. KOITO then started supplying the products to various automotive manufacturers, including Toyota Motor Company (current Toyota Motor Corporation), starting October 1957.

1978
Start of production and sales of halogen headlamps

Halogen light bulbs were standardized in Europe in 1971 and in the U.S. in 1978, as their high luminous flux and excellent antiglare performance could help reduce traffic accidents. KOITO began producing halogen headlamps in July 1978 by incorporating halogen light sources (originally imported products) into SB and SSB headlamps.

1979
Start of production and sales of uniquely shaped headlamps

KOITO began developing uniquely shaped headlamps (a type of SSB headlamp), which were shaped to fit individual vehicle designs. Installation of these lamps in the Nissan Skyline and the Toyota Crown began in June 1979.

Towards Becoming the "Global No.1 Supplier

1983
Establishment of North American Lighting, Inc. (Illinois, U.S.A.)

1985
Start of production and sales of all-resin aerodynamic-type headlamps

1986
Establishment of THAI KOITO COMPANY LIMITED (Thailand)

1988
Capital participation in Ta Yih Industrial Co., Ltd. (Taiwan)

1993
Opening of North American Lighting, Inc. Technical Center (Michigan, U.S.A.)

1997
Establishment of INDIA JAPAN PRIVATE LIMITED (India)

2001
Establishment of Koito Czech s.r.o. (Czech Republic)

2005
Establishment of GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD (China)

2007
Start of production and sales of the world's first LED headlamps

KOITO developed LED headlamps that utilize white LEDs as a low beam light source. This allowed for improved visibility with higher luminous flux, longer life, and lower power consumption compared to GDHL and halogen headlamps. In May 2007, they were installed in the "Lexus LS 600h", as the world's first LED headlamp on the market.

2010
Establishment of PT. INDONESIA KOITO (Indonesia)

2012
Establishment of North American Lighting Mexico, S.A. de C.V. (Mexico)

2014
Start of production and sales of the world's first LED Compact-Bi-function

KOITO began producing and selling the world's first LED Compact-Bi-function, capable of switching from high beam to low beam and vice versa with a single LED. It also had lower power consumption and weight compared to conventional lamp units. In November 2014, it was installed in the Toyota Prius Alpha, which contributed to the worldwide spread of LED headlamps, and their being adopted by various vehicles.

2019
Start of production and sales of the world's first BladeScan™ ADB

KOITO developed the world's first BladeScan™ ADB (Adaptive Driving Beam) system, which is expected to further improve safety by enabling higher-resolution light distribution than conventional ADB systems. It was installed in the Lexus RX in August 2019, becoming the world's first such system on the market.

Value Creation Process

Through the value chain centered on the automotive lighting business activities, the KOITO Group aims to resolve various social issues to materialize a sustainable society and increase our corporate value.

Lighting for Your Safety

Keeping people and automotive safe

KOITO VISION
—Lighting the Way for Our Sustainable Future—

Materiality

Business Issues

- Intensified competition in the automobile industry
- Progress in technological innovation (IoT/AI)
- Growing social demands for decarbonization and ESG

Social Issues

Environment
- Prevention of global warming
- Reduction of environmental impact substances and waste
- Conservation of water resources

Safety / Peace of mind
- Reduction of traffic accidents
- Technological development contributing to a sustainable society
- Enhancement of product quality

Corporate foundation
- Compliance
- Corporate governance
- Information security
- Human resource development
- Healthy and safe working environment
- Workstyle reform
- Respect for human rights
- Disaster prevention

Managerial resources

Financial Capital

Total assets	965.5 billion yen
Net assets	719.2 billion yen

Manufacturing Capital

Capital expenditures	42.5 billion yen
R&D expenditures	36.8 billion yen
R&D personnel	2,982

Human Capital

Number of employees	23,807
Ratio of overseas employees	69%

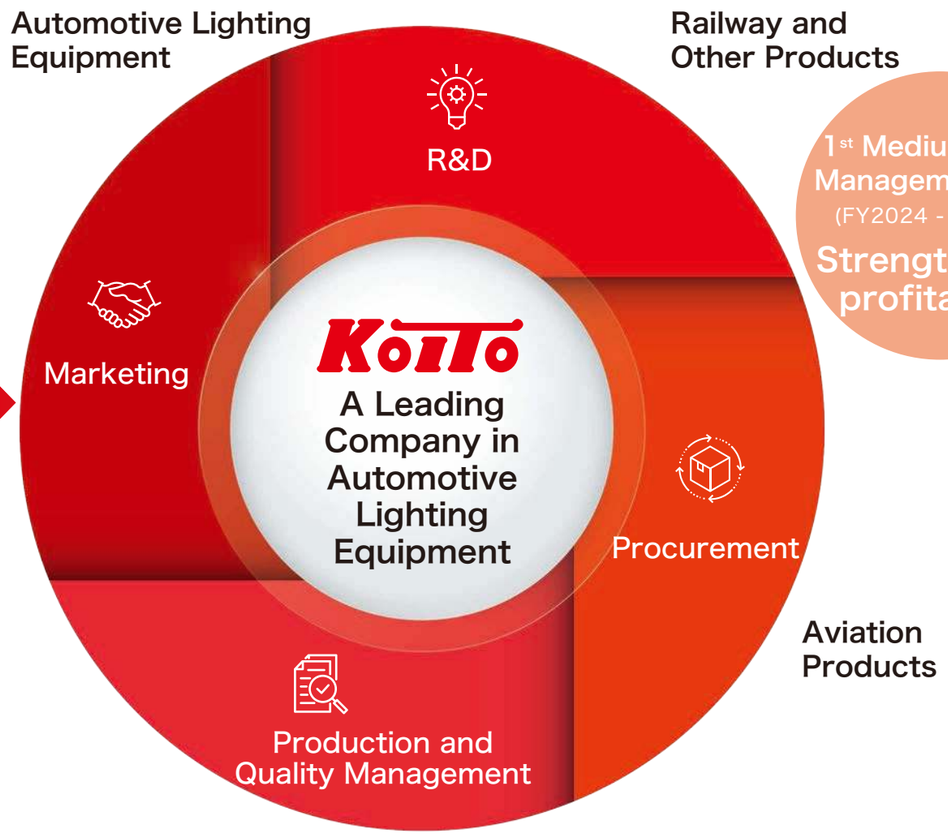
Social and Relationship Capital

Ratio of overseas net sales	61.9%

Enhancement of dialogue with employees through periodic engagement surveys, etc.

Natural Capital (KOITO MANUFACTURING)

Resin materials	40,687 tons
Electricity	113,935,000 kWh
Out of which renewable energy	113,375,000 kWh
Utility gas	1,738,000 ㎥
LPG	2,406 tons
Water	779,000 tons



1st Medium-Term Management Plan (FY2024 - FY2026)
Strengthening profitability

2nd Medium-Term Management Plan (FY2027 – FY2030)
Significant growth

Values provided to society
(Safety / Peace of mind / Trust)

Environment
- Reduction of CO_2 emissions of automobiles, aircraft and railway cars
- LED Headlamp's Contribution on CO_2 Reduction: 558.1 thousand tons
- Reduction of environmentally harmful substances

Safety / Peace of mind
- Improving night vision and reducing traffic accidents by providing LED headlamps and ADB (Adaptive Driving Beam)
- Development and provision of sensors that contribute to the realization of safe ADAS and automated driving
- Promoting development of energy-saving and lightweight products

Corporate foundation
- Strengthening ESG activities
- Promotion of workstyle reform
- Contribution to local communities

Creation of corporate value
(FY2023)

Net sales	950.2 billion yen	Net income*	40.8 billion yen
Operating profit	55.9 billion yen	ROE	6.3%
Operating profit ratio over net sales	5.9%		

*Profit attributable to owners of parent

Corporate foundation to support our value creation

Corporate Principles ⇨ P.3
The KOITO Group Corporate Behavior Charter ⇨ P.37
Corporate Governance ⇨ P.62

Value Chain

The KOITO Group is strengthening initiatives in each process within the value chain (R&D, procurement, production and quality management, and marketing), with the goal of enhancing our corporate value and resolving social issues throughout our business activities.

	R&D	Procurement	Production and Quality Management	Marketing
Outline	The KOITO Group makes full use of optics, electronics and other cutting-edge technologies in the pursuit of safety and reliability, and conducts research and development of innovative and environmentally-friendly system products. The KOITO Group's R&D activities are broadly categorized into basic research and product development. **Basic research**: The KOITO Group conducts research to commercialize a new generation of products, anticipating market needs through the further evolution of our core technologies such as optics, electronics, machinery, and structures, in processes centered around our technical center in Japan. **Product development**: The KOITO Group not only proposes new technologies to automotive manufacturers and other customers, but also develops products that conform to development plans and required specifications.	The KOITO Group procures parts by selecting the materials and component suppliers that are necessary for production. This selection of suppliers is determined based on component specifications, monthly quantities, unit prices, the estimated price of molds, and other factors. We also audit and approve supplier plants when engaging in new procurement. We formulate and manage procurement plans for materials and components according to the KOITO Group's production plans.	The KOITO Group manufactures the products it develops and designs using materials and products purchased from subsidiaries and suppliers. We audit plants when starting the manufacture of new products or when changing manufacturing processes at subsidiaries. Our delivery plans are formulated based on order estimates from automotive manufacturers, other customers, and subsidiaries (unofficial monthly, yearly, mid-term and other plans); confirmed orders; and production plans that take the applicable inventory and other plans into account. KOITO engages in quality management operations to assure quality throughout the entire Group, and formulates quality inspection criteria and quality control methods. All those involved in manufacturing engages in quality control activities based on these criteria and quality control methods.	The KOITO Group understands global customer needs, engages in cooperation with the relevant departments, and conducts its proposal and marketing activities through various presentations. We make proposals of next-generation products that contribute to safety, reliability, and reduction of environmental impact based on good customer relationships founded on trust, with the goal of expanding our sales channels and profits.
Our Strength	●Global R&D network in five major regions of the world (Japan, Americas, China, Europe, and Asia) ●Clear understanding of needs through partnerships with customers, suppliers, external agencies, and other such organizations, and the reflection of these needs in our products ●Provision of safe and reliable products such as ADB (Adaptive Driving Beam) headlamps to provide better visibility at night ●Helping to prevent global warming through energy efficiency and smaller, more light-weight products, including promoting the transition to LEDs ●Rapid response to technical challenges based on our wealth of knowledge and experience ●Educational system to train and strengthen diverse human resources in technical fields	●Global procurement system that allows local sourcing from suitable procurement sites ●Expansion of local procurement to mitigate the impact of foreign exchange fluctuations ●Maintaining and strengthening of good relationships with suppliers ●Realization of high-level QCDD (Quality, Cost, Delivery and Development) through ongoing improvement activities with the cooperation of suppliers ●Establishment of a BCP system that allows us to quickly grasp the level of damage and problems faced by suppliers when disasters strike, and cooperate with suppliers to take the necessary action ●Promotion of CSR/ESG activities throughout the entire supply chain to help realize a sustainable society, such as preventing global warming	●Appropriate production system established by the KOITO Production System (KPS) ●Global production and quality assurance system in all five major regions of the world ●Designation of the KOITO Shizuoka District as the "mother" plant and support for launching overseas production sites/products and measures to address various problems ●Drills and training to pass down and improve the technical abilities and skills of employees throughout the entire Group ●Strengthening and continuation of improvement activities for production sites	●Global information gathering and sales system in all five major regions of the world ●Top global share capabilities ●Clear understanding of changing and diverse customer needs as well as specific sales capabilities ●Maintaining and strengthening of good, strong relationships based on close communication with customers ●Product proposals of light source and lighting technology developed in the automotive lighting equipment business, for adoption in aviation, railway and infrastructure-related products
Issues to be Addressed Through Initiatives – Business Issues	●Promotion of research and development themes that allow us to adapt to rapidly-changing technical and market needs, as well as the intensifying competitive landscape with regards to CASE (connectivity, autonomous driving, sharing and electric vehicles), MaaS (mobility as a service), and more ●Development of monitoring sensors such as LiDAR and all-weather cameras that contribute to safety and security under Advanced Driver Assistance Systems (ADAS) and autonomous driving ●More efficient product development through the use of various simulations and promotion of digital transformation (DX) ●Training and securing of engineers to pass down and evolve technologies	●Stable procurement through the securing a flexible supply and the strengthening of the effectiveness of Business Continuity Plans (BCP) in the supply chain ●Optimization of supplier portfolios (Thorough cooperation across industries and elements of competition)	●Strengthening of competitiveness through the improvement of global QCDD ●Strengthening of quality management capable of managing more advanced and complex products ●Enhancement of productivity through the use of AI, IoT and other technologies, such as the realization of smart factories ●Strengthening of BCP at production sites, such as more resistant buildings and equipment, and better complimentary supply capabilities	●Strengthening of marketing systems that reflect customer and market needs ●Higher customer satisfaction ●Education and training to foster and strengthen compliance awareness
Issues to be Addressed Through Initiatives – Social Issues	Promotion of advanced technical development that will help realize a safe and reliable automotive society, and help achieve carbon neutrality	●Enhancement of CSR/ESG activities throughout the entire supply chain ●Reduction of environmental impact throughout the entire supply chain, such as through the proper management of environmental impact substances and measures to prevent global warming	Shift to production equipment and processes that help achieve carbon neutrality, reduce environmental impact substances, and allows for the more effective use of resources	Proposals of attractive products that help realize a safe, reliable automotive society, and resolve social issues

Materiality

We believe that our business activities are highly compatible with and relevant to the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015, and can help achieve these goals.

In order to accelerate these initiatives, we have referred to the GRI (Global Reporting Initiative) guidelines and identified material issues (materialities) to be focused on and SDGs to be solved from amongst the various social issues, and are promoting the relevant activities.

We will continue to promote business activities that contribute to the realization of a sustainable society.

Please refer to the "Materiality" section on our website for details on our materiality identification process.
URL: https://www.koito.co.jp/english/sustainability/materiality/

SUSTAINABLE DEVELOPMENT GOALS

Our Materialities and Initiatives

KOITO has set KPIs (key performance indicators) and targets for FY2030 for each materiality. We are promoting activities that contribute to solve social issues by incorporating them into specific activity plans.

	Materialities	Relevant SDGs	Declaration of KOITO Initiatives
Environment	●Prevention of global warming ⇨P.44 ●Reduction of environmental impact substances and waste ⇨P.48 ●Conservation of water resources ⇨P.49	1, 3, 6, 11, 12, 13, 14, 15	●We will promote the reduction of CO_2 emissions and environmental impact substances, and engage in resource recycling guided by the theme, "Eco-friendly Manufacturing for People and the Earth." ●We will contribute to the reduction of CO_2 emissions by further improving light emission efficiency and reducing the weight of our mainstay products.
Safety/ Peace of mind	●Reduction of traffic accidents ⇨P.54 ●Technological development that contributes to the realization of a sustainable society ⇨P.20 ●Enhancement of product quality ⇨P.55	3, 8, 9, 11, 17	●We will strive to achieve sustainable growth and resolve social issues by developing and providing socially beneficial and safe products and services. ●We will promote product development, including that of sensors (LiDARs and cameras), with an eye towards the autonomous driving society of the future. ●We will gain customer satisfaction and trust by developing and providing safe, high-quality products and services.
Corporate foundation	●Compliance ⇨P.68 ●Corporate governance ⇨P.62 ●Information security ⇨P.71 ●Human resource development ⇨P.22 P.58 ●Healthy and safe working environment ⇨P.59 ●Workstyle reform ⇨P.22 P.58 ●Respect for human rights ⇨P.60 ●Disaster prevention ⇨P.70	16 1, 4, 8, 12, 13	●We will enhance corporate governance and strengthen compliance to establish a sound management system. ●We will strive to protect information assets by preparing for information security risks. ●We will strive to provide a healthy and safe workplace environment in which all employees can make the best use of their capabilities and fulfill their potential. ●We will promote initiatives that respect the human rights of all persons. ●We will strengthen our disaster prevention system throughout the supply chain.

The KOITO Group Corporate Behavior Charter

The KOITO Group's basic management policy is to generate customer needs and contribute to the progress of society, while also fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees, and business partners, all under the theme of "Light."

In accordance with this policy, we have established the following ten principles. We will comply with domestic and overseas laws and regulations, international rules, and their underlying spirit, and conduct corporate activities in accordance with corporate ethics.

We will also strive to resolve social issues through our business activities and fulfill our social responsibilities, with the goal of facilitating the sustainable growth of society.

1.	Sustainable growth and resolution of social issues	⇨P.20 P.54
2.	Trusted corporate activities	⇨P.55
3.	Compliance with social conventions / Global management	⇨P.68
4.	Fair information disclosure and constructive dialogue	⇨P.38
5.	Respect for human rights	⇨P.60
6.	Work practice and enhancement of workplace environments	⇨P.22 P.58
7.	Engagement in environmental issues	⇨P.40
8.	Contribution to society	⇨P.61
9.	Rejection of relations with anti-social forces / Comprehensive risk management engagement	⇨P.68 P.70
10.	Role of top management and thorough implementation of this Charter	⇨P.62

KPI	FY2022 Results	FY2023 Results	FY2030 Targets
Consolidated CO_2 emissions	408.6thousand tons	326.7thousand tons	271.5 thousand tons (50% reduction from FY2015)
VOC emissions	173tons	173tons	Less than 299 tons (Less than the amount in FY2018) (continuous target by FY2025)
Waste generated per unit (tons per 100 million yen)	1.11	0.90	Less than 1.28 (7% reduction from FY2018) (continuous target by FY2025)
Water usage per unit (tons per million yen)	3.41	3.14	Less than 3.51 (7% reduction from FY2018) (continuous target by FY2025)
LED adoption ratio※	77%	89%	100%
ADB adoption ratio※	7%	9%	20%
Automotive LiDAR Market Share	—	—	More than 20%
Number of recalls	0cases	0cases	0cases
Awareness rate of the KOITO Group Corporate Behavior Charter	96%	98%	100%
Number of serious violations of laws and ordinances	0cases	0cases	0cases
Number of serious information security incidents	0cases	0cases	0cases
Training time per employee	12hours	14hours	More than15hours
Rate of lost-time injuries	0	0.09	0
Ratio of women in senior management	1.8%	2.5%	10.0%

※Consolidated

Stakeholder Engagement

The KOITO Group's basic management policy is to generate customer needs based on the theme of "Light" and facilitate the advancement and development of society, while also working towards coexistence and co-prosperity with all stakeholders, including customers, shareholders, employees, and suppliers.

Customers

We work to gain customer satisfaction and trust by developing and providing attractive products that meet customer needs as quickly as possible, and by improving and enhancing our QCDD (Quality, Cost, Delivery and Development) levels, all under our "customer first" mindset.

Shareholders

We strive to build long-term relationships of trust with our shareholders and investors by providing accurate information in a fair manner and engaging in constructive dialogue, in order to achieve sustainable growth and improve corporate value over the medium- to long-term.

In FY2023, we held the 123rd Ordinary General Meeting of Shareholders, as well as financial results briefings for securities analysts and institutional investors, factory tours, technical IR events, and more. We also held a total of approximately 260 individual meetings with institutional investors and reported the meeting details, as well as the opinions and requests we received, to the Board of Directors and the Executive Committee, etc. These were utilized in the formulation of the medium-term management plan and the disclosure of financial strategies, etc., which led to improved management initiatives.

We are also working to evaluate our own initiatives, further strengthen ESG activities, and proactively disclose information, by responding to major external indicators and evaluations in Japan and overseas, including ESG rating agencies.

Employees

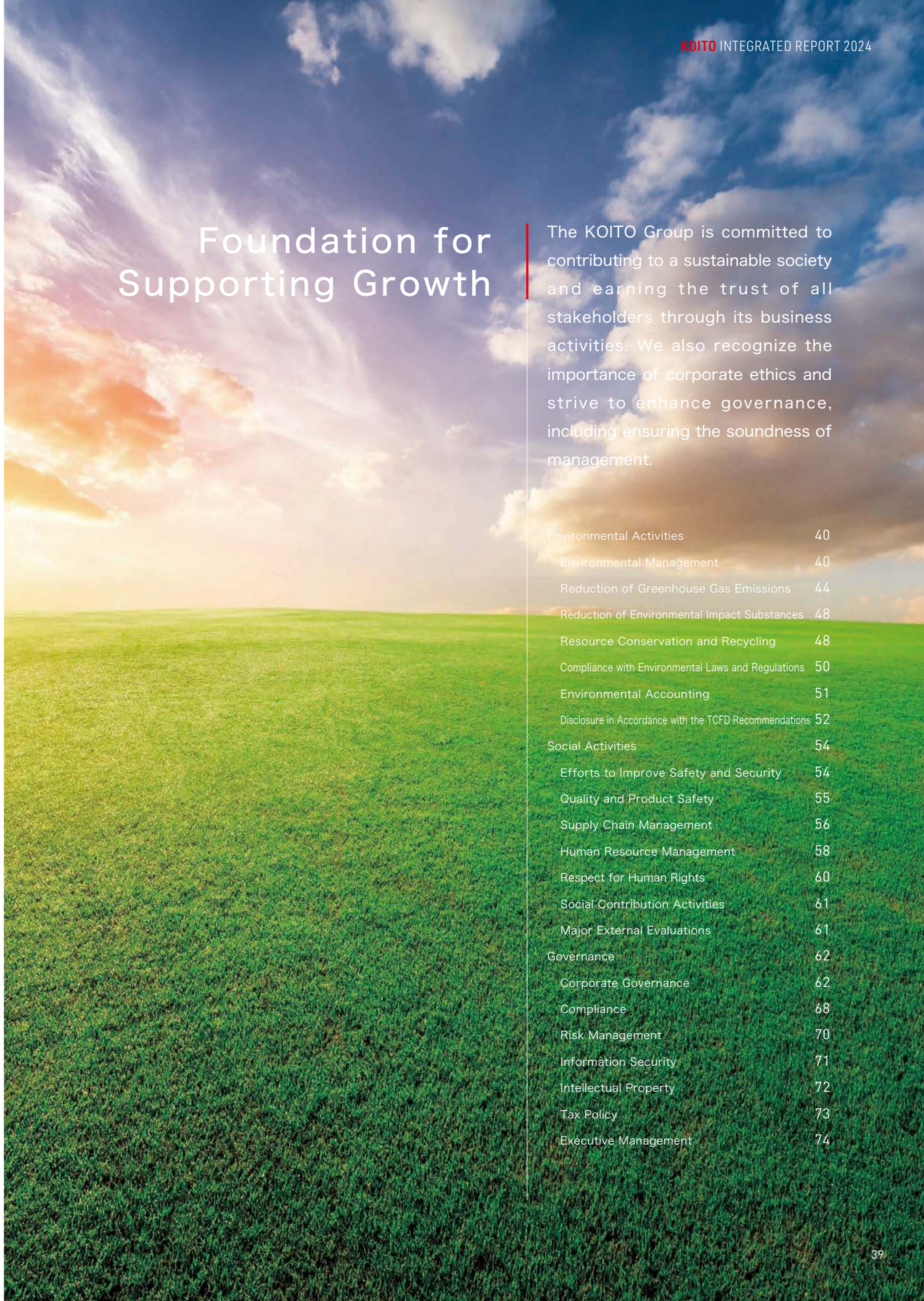
We aim to create a lively workplace where everyone can participate in tackling various issues, by promoting the sharing of knowledge, experiences, awareness, and problem-awareness held by each individual through a variety of means, under the theme of "communication and collaboration," while maintaining and improving high productivity and motivation, and ensuring that each employee is able to perform to the best of their abilities. In order to build a strong relationship of mutual trust between labor and management, we generally hold labor-management meetings every month to discuss various issues, including an overview of the employee's business performance and various working conditions. We also conduct regular engagement surveys to identify issues and inform measures.

Suppliers

We believe that it is important to aim for sustainable growth and social responsibility throughout the entire supply chain in order to realize the KOITO VISION and implement "Eco-friendly Manufacturing for People and the Earth." For this reason, we are working with our suppliers to meet the demands and expectations of society and provide high-quality services to our customers, thereby achieving coexistence and co-prosperity. We hold annual procurement policy briefings and regular information exchange meetings with our suppliers to strengthen our partnerships. We are also working towards compliance with the Declaration of Partnership Building, which we formulated and announced in March 2022.

Local Community

We aim to contribute to the realization of a prosperous society by being aware of our responsibilities as a good corporate citizen and actively engaging in social contribution activities, in order to embody one of our management principles, "Fostering mutually beneficial relationships with all stakeholders as a member of the society." We also work to communicate with local communities through participation in local events and other activities, and contribute to the revitalization of local communities.



Foundation for Supporting Growth

The KOITO Group is committed to contributing to a sustainable society and earning the trust of all stakeholders through its business activities. We also recognize the importance of corporate ethics and strive to enhance governance, including ensuring the soundness of management.

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- Environmental Management 40
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- Reduction of Environmental Impact Substances 48
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Environmental Activities

The KOITO Group declares in the "KOITO Group Corporate Behavior Charter," our basic policy for our corporate activities, that we will proactively engage in global environment conservation through our business activities, "guided by the theme of 'Eco-friendly Manufacturing for People and the Earth.'"

Based on this policy, KOITO has established the "Environmental Policy" which sets out the framework for our environmental activities and the implementation of this policy in the environmental management of all fields, from development to design, production, procurement, logistics, and more.

Our domestic and overseas subsidiaries have also established an "Environmental Policy" and built environmental management systems, meaning the promotion of environmental conservation activities extends throughout the KOITO Group.

Environmental Policy

KOITO MANUFACTURING CO., LTD. pursues "Eco-friendly Manufacturing for People and the Earth" in all of our automotive lighting-centered business activities, through the promotion of environmental conservation activities:

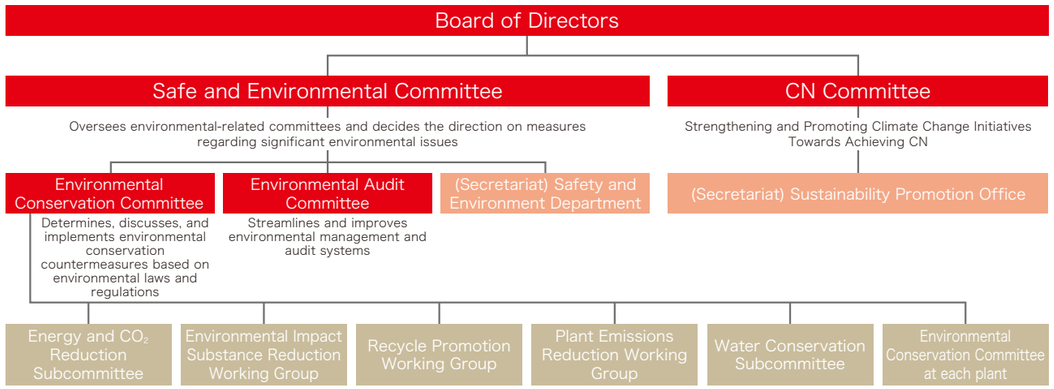
1. To clarify our targets and measures for environmental conservation and work continuously to improve the KOITO Group's environmental performance;
2. To formulate and promote environmental improvement plans by considering environmental issues in advance and complying with environmental laws and regulations;
3. To work to develop and establish new environmentally-friendly technologies and products throughout the product life cycle;
4. To minimize the environmental impact and use of resources and energy in the manufacturing process, promote environmental protection activities, and prevent environmental problems from occurring;
5. To actively promote human resources development to achieve our environmental targets.

Environmental Management

Management Structure for Environmental Activities

KOITO holds the "CN Committee," chaired by the Representative Director, on a regular basis to deliberate and decide on matters related to climate change.

KOITO also holds the monthly "Safe and Environmental Committee", chaired by the Representative Director to supervise the environmental activities of the entire Group, and to discuss and make decisions on important environmental issues and environmental conservation measures to be implemented under various environmental laws and regulations. Subcommittees and working groups, such as the "Energy and CO_2 Reduction Subcommittee," "Environmental Impact Substance Reduction Working Group," and "Recycle Promotion Working Group," which were established to address specific environmental issues, are also working to implement specific activities. These activities are reported to the Safe and Environmental Committee, which follows up on their progress and discusses various courses of action.



Vision for Our Environmental Initiatives

KOITO has established "carbon neutrality (CN)," "reduction of environmentally hazardous substances," and "resource recycling" as the three most important issues for environmental conservation. We have also incorporated the idea of eliminating the waste that we have cultivated over the years into all of our environmental activities, with the goal of further minimizing our environmental impact. These activities are also being expanded across the KOITO Group.

Minimizing environmental impact through "waste-free" manufacturing

	CN	Environmental impact resources	Resource recycling	Environmental management
Environmentally friendly products	·Development of technology for reducing power consumption, making products smaller and more lightweight	·Reduction of environmentally hazardous substances	·Promotion of designs that facilitate recycling and disposal	[Compliance with environmental laws and regulations] ·Early identification of legal trends and response ·Monitoring of plant environmental regulation values [Environmental risk management] ·Monitoring and responding to regulatory developments ·Monitoring of plant environmental regulation values [Building a society in harmony with nature] ·Promotion of biodiversity and natural environment conservation activities
Environmentally friendly production and distribution	·Reduction of CO_2 emissions ·Utilization of renewable energy (CO_2-free electricity, etc.)	·Reduction of VOC emissions ·Reduction of chemical substances subject to the PRTR Act	·Promotion of effective utilization of resources ·Reduction of plastic and waste emissions ·Improvement of water environment	

Environmental Communication	Fostering environmentally conscious human resources	Maintaining and improving the KOITO Group's environmental management system
●Interactive communication	●Promoting understanding of "waste and environmental impact"	●Continuous improvement through the PDCA cycle

Environmental Targets and Performance

The KOITO Group sets annual short-term targets and carries out activities based on its quantitative medium-term initiatives plans (FY2021 to FY2025) for various indicators in order to implement "Eco-friendly Manufacturing for People and the Earth" and promote environmental conservation activities in an effective manner. The progress and degree of achievement of these activities is managed and evaluated by the Safe and Environmental Committee and other bodies.

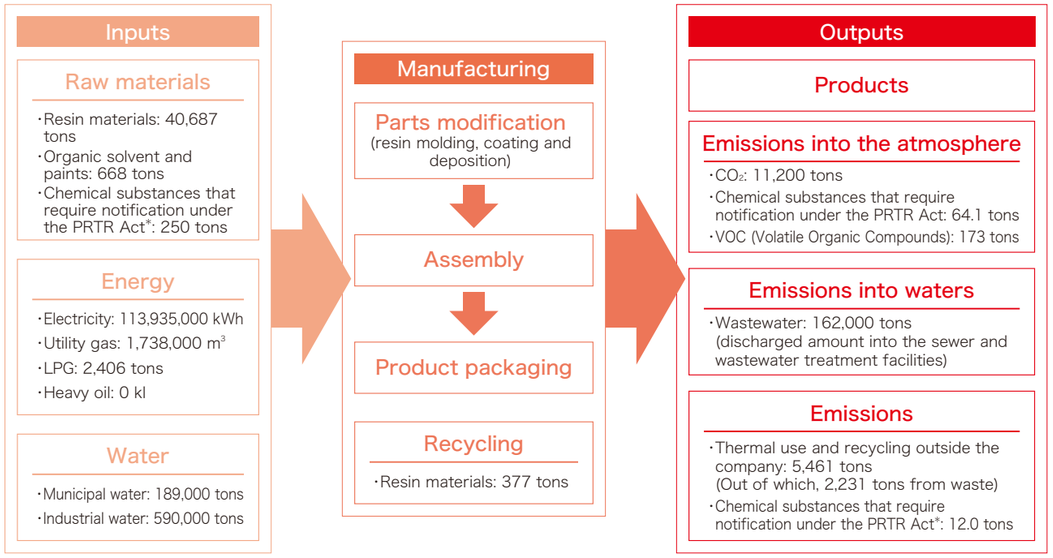
Environmental objectives		Priority initiatives and results in FY2023			Main initiatives from FY2023 onwards
		Priority items	Targets	Results	
Measures to alleviate climate change	Contribution to low-carbon society	Reduction of CO_2 from production processes	Amount of CO_2 emissions: 23% reduction from FY2015	40% reduction from FY2015	1. Reduction of energy use and CO_2 emissions in production processes ·Amount of CO_2 emissions in FY2030: 50% reduction from FY2015 ·Achieve carbon neutrality by FY2050 2. Reduction of energy use and CO_2 emissions in logistics ·Energy usage per unit: 1% reduction per year 3. Reduction of environmental impact substances in the product life cycle
		Reduction of CO_2 from logistics	Energy usage per unit: 1% reduction per year	5.8% reduction from FY2022	
Resource and water circulation	Development of recycling-oriented society	Reduction of the amount of waste	Waste generated per unit: 5% reduction from FY2018 ＊Setting targets for plastic industrial waste as part of the response to the Plastic Resource Circulation Promotion Act. ·Basic unit: 5% reduction compared to FY2018 ·Recycling rate: Maintain at 85% or more	35% reduction from FY2018 37% reduction from FY2018 Over 90%	1. Development of recycling-oriented society ·Reduction of waste and effective utilization of resources in production processes Waste generated per unit in FY2025: 7% reduction from FY2018 ＊Limiting of plastic industrial waste emissions and recycling Original value in FY2025: 7% reduction from FY2018 Recycling rate in FY2025: Maintained 85% or more 2. Minimization of water impact ·Reduction of water consumption Water usage per unit in FY2025: 7% reduction from FY2018 ·Improvement of wastewater quality management
		Reduction of water consumption	Water usage per unit: 5% reduction from FY2018	17% reduction from FY2018	
Management and reduction of chemical substances	Reduction of environmental impact substances	Reduction of VOC emissions	VOC emissions: Less than the amount in FY2018 (299 tons) Target for FY2023: 208 tons or less	173 tons (42% reduction from FY2018)	1. Reduction of environmental impact substances in production activities ·Amount of VOC emissions: Maintained amount below FY2018 2. Thorough management of environmental impact substances in products
Enhancement of environmental management	Reinforcement of global environmental activities	Promotion of reinforcement of consolidated environment activities	Strengthening of environmental risk management Thorough environment compliance	Identification of potential environmental risks and strengthening of preventive measures (Identification of and response to near-miss incidents)	1. Strengthening of worldwide environmental management ·Promotion of the reinforcement of consolidated management ·Strengthening and promoting initiatives for CN ·Promotion of environmental activities with business partners (suppliers) ·Proactive disclosure of environmental information and enrichment of communication ·Reinforcement of environmental education 2. Development of society in harmony with nature ·Promotion of biodiversity and nature conservation activities
		Strengthening and promotion of initiatives for CN	Sharing and promotion of information for CN	Dissemination of information on initiatives for CN to affiliated companies and suppliers	
		Promotion of environmental efforts in collaboration with suppliers	Promotion of aggressive environmental activities and improvement of environmental performance	Confirmation of management status and promotion of improvement through information sharing and on-site inspections	
		Disclosure of environmental information and enhancement of communication	Global disclosure of environmental information Promotion of mutual understanding with local communities	Disclosure of consolidated information and hosting round-table session with local communities	
		Strengthening of environmental education	Promotion of compliance, employee education, and awareness-raising activities	Reevaluation of education structure for managers, supervisors, and newly hired employees, and implementing training for contractors (construction workers, etc.) working on the premises	
	Development of a society in harmony with nature	Promotion of biodiversity and nature conservation activities	Promotion of activities at individual offices and regions, and biodiversity conservation activities	Cooperation with local organizations and participation in activities with them Strengthening of activities to prevent global warming and effectively use resources	

Material Balance

The energy and resource inputs, along with outputs such as greenhouse gas (GHG) emissions and environmental impact substances like VOCs (Volatile Organic Compounds), associated with KOITO's business activities are outlined below.

KOITO monitors the material balance of its operations to evaluate efforts aimed at reducing environmental impact, and uses the data to inform future measures.

Results (FY2023)



※PRTR Act: Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement

Environmental Education

KOITO has established an education system and periodically provides environmental education to promote "training for human resources to achieve our environmental targets," as stated in the Environmental Policy, and help every employee gain a deep understanding of the environment.

In addition to education for specific job ranks, such as new employees, managers and supervisors, KOITO provides special education for internal auditors and promotes employee acquisition of official licenses and qualifications. KOITO has also designated June and July of every year to be "KOITO Environmental Months", during which employees participate in local clean-up activities and implement intensive environmental inspections to enhance the awareness of every employee.

KOITO also provides education on preventing contamination and spillage to workers, such as contractors, who work on company premises, to enhance their awareness and help prevent environmental accidents.

Safety and environmental education for the work conducted within the premises (2022)

Education for internal environmental auditors (2022)

Establishment of Environmental Management System

The KOITO Group is building an environmental management system for the Group as a whole. To that end, we are aggressively acquiring ISO 14001 and other environmental certificates, primarily at our manufacturing sites. As of the end of March 2024, a total of 24 companies out of 25 eligible for certification have acquired environmental certificates: 12 in Japan, including KOITO MANUFACTURING, and 12 overseas. The KOITO Group also recommends the acquisition of certificates, such as ISO 14001 and Eco-Action 21, to our major suppliers, in order to strengthen environmental management and conservation throughout the entire supply chain.

KOITO's ISO 14001 certification in production sites

Site	The initial registration dates	The latest renewal date
Shizuoka Plant	January 2000	January 2021
Koito Parts Center		
Haibara Plant	July 2000	
Sagara Plant		
Fujikawa Tooling Plant	January 2003	

Environmental certification acquired in the KOITO Group

Domestic subsidiaries	
ISO 14001	KOITO KYUSHU
	Aoitec Co., Ltd.
	Shizuokadenso Co., Ltd.
	Nissei Industries Co., Ltd.
	Fujieda Auto Lighting Co., Ltd.
	Shizuoka Wire Harness Co., Ltd.
	KOITO ELECTRIC INDUSTRIES, Ltd.
	Haibara Machine and Tools Co., Ltd.
Eco-Action 21	Shizuoka Kanagata Co., Ltd.
	Takeda Suntech Co., Ltd.
Green Management Certificate	Koito Transport Co., Ltd.

Overseas subsidiaries	
ISO 14001	North American Lighting, Inc. (U.S.A.)
	North American Lighting Mexico, S.A. de C.V. (Mexico)
	NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. (Brazil)
	Koito Europe Limited (U.K.)
	Koito Czech s.r.o. (Czech Republic)
	GUANGZHOU KOITO AUTOMOTIVE LAMP CO., Ltd. (China)
	Hubei Koito Automotive Lamp Co., Ltd. (China)
	FUZHOU KOITO AUTOMOTIVE LAMP CO., Ltd. (China)
	THAI KOITO COMPANY LIMITED(Thailand)
	PT. INDONESIA KOITO (Indonesia)
	Ta Yih Industrial Co., Ltd. (Taiwan)
	INDIA JAPAN LIGHTING PRIVATE LIMITED (India)

Environmental Audits

KOITO conducts annual external environmental audits and internal environmental audits to check the operational status of the environmental management system. Proposals for improvements are prepared and implemented to respond to deficiencies identified through these audits, in order to maintain and operate a proper management system.

External Environmental Audits

A registered external accreditation firm checks whether the environmental management system has been properly established and is being properly operated based on ISO 14001.

Internal Environmental Audits

An audit team is organized, composed of internal auditors outside of the department being audited, with audits conducted based on ISO 14001, to ensure the independence of internal environmental audits. The internal auditors also conduct audits within their departments for continuous improvement and to enhance environmental awareness.

Efforts throughout Supply Chain

KOITO is committed to promoting measures to reduce environmental load, based on the comprehensive perspective of the product life cycle, to coexist with the global environment and local communities and to engage in environmental activities through all business activities, including green procurement of raw materials, parts and equipment.

KOITO is also working to strengthen supply chain management in its efforts to help realize a sustainable society. We hold annual procurement policy briefing sessions and monthly information liaison meetings for suppliers to encourage them to acquire environmental certifications, such as ISO 14001 and Eco-Action 21, and request compliance with environmental laws and regulations on environmentally hazardous substances.

We also promote the monitoring of CO_2 emissions and the advancing of reduction plans in order to move towards carbon neutrality.

Procurement policy briefing session (2019)

Reduction of Greenhouse Gas Emissions

KOITO promotes the introduction of plant buildings and energy-saving manufacturing facilities that emit less CO_2, with the goal of achieving carbon neutrality in FY2050 and helping to realize a decarbonized society. We are also working company-wide to reduce CO_2 emissions throughout the product life cycle, promoting energy conservation, and the introduction of smaller and more lightweight products from the development and design phase.

Greenhouse Gas Emission Reduction Targets and Results

※Since the KOITO Group emits minimal amounts of greenhouse gases other than CO_2, the graph above shows only its CO_2 emissions.

Reduction of CO_2 Emissions in a Way That Considers Product Life Cycle

The KOITO Group has been reducing the environmental impact of its production processes using energy-saving facilities with combined processes, the transportation of products with high loading efficiency, and the use of energy-conserving, lightweight LED headlamps.

We will continue to reduce environmentally hazardous substances and waste throughout the product life cycle, secure water resources, and promote environmentally friendly business activities to coexist in harmony with the Earth.

Development	・Development of highly efficient and energy-conserving light sources ・Reduction of number and weight of parts ・Development of plant-based plastics
Procurement	・Procurement of materials and parts with low environmental impact ・More efficient logistics in procurement
Product transportation	・Adoption of highly efficient trucks with large loading capacities ・Improvement in packaging ・Considering the use of EVs and FCVs for transport vehicles
Production	・Integration of production lines ・Energy conservation in production equipment ・Utilization of natural light in production plants ・Considering the introduction of renewable energy
Customer use of products	・Reducing CO_2 emissions from vehicles through energy-conserving, lightweight lamps

Reduction of Headlamp Power Consumption

KOITO has begun introducing LEDs as a light source for headlamps ahead of its competitors, with the goal of improving the fuel efficiency of vehicles, thus reducing CO_2 emissions, and responding to the growing shift to EVs. The latest LED headlamps, consume about 80% less electricity than the conventional halogen headlamps and 70% less electricity than discharge headlamps, contribute to reduce vehicles' battery load.

The adoption of LED headlamps has expanded to a variety of vehicles, including large-size and compact vehicles, mini vehicles, and motorcycles, due to their advanced capabilities. In FY2023, the global LED adoption ratio for KOITO Group headlamps was approximately 89%, with this number expected to grow further.

We are also working to improve the performance of white LEDs, reduce the number of parts, and use resins efficiently, in order to commercialize lamps that are capable of conserving even more power and are even more lightweight.

Reduction of headlamp's power consumption

※Total amount of low beam and high beam

■ Our LED Headlamps' Contribution to CO_2 Reduction

The KOITO Group is helping to improve vehicle fuel efficiency and reduce CO_2 emissions by providing eco-friendly products.

Here at KOITO, we have evaluated the global environmental contribution of our LED headlamps by comparing the CO_2 emissions of vehicles equipped with LED headlamps to those using conventional halogen headlamps.

This contribution is growing every year due to the evolution of light sources and the spread of LED headlamps.

・We have calculated our contribution by referring to the calculation methodologies on the EU's "Technical Guidelines for the preparation of applications for the approval of innovative technologies pursuant to Regulation (EC) No 443/2009 and Regulation (EU) No 510/2011" and JAPIA's "Second Version of Regulation 2 of the Guidelines for Calculating LCI (Data Chart for Calculating Environmental Impact at the Stage of Use)."

[Calculation formula]
Energy-saving effect* (W/units)/1,000 × Consumption of effective power (ℓ/kWh)/Efficiency of alternator × CO_2 emission factor (t- CO_2/ℓ) × Operating hours (hours/year) × Usage factor × Number of vehicles equipped with KOITO Group LED headlamps

*Differences in power consumption between LED headlamps and halogen headlamps

LED Headlamp's Contribution to CO_2 Reduction

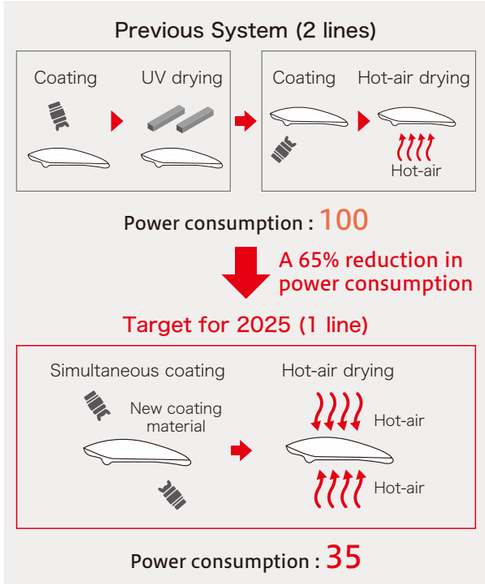
Efforts in the Production Process

KOITO is reducing CO_2 emissions by improving work methods and updating facilities, for instance by updating to higher-efficiency transformers and GHP (Gas Heat Pump) air conditioners. installing energy-efficient facilities, implementing automatic power shutdown systems that kick in when facilities are not in use, and optimizing production lines, in order to improve energy and production efficiency in production processes.

We are promoting several activities with the goal of reducing CO_2 emissions by 50% from FY2015 to FY2030, and achieving carbon neutrality by FY2050.

Our plants have been streamlined through the integration of production lines and improvement work that resulted in improved productivity and energy efficiency. With this effort, the amount of KOITO's CO_2 emissions in FY2023 was 326.7 thousand tons, a 40% decrease from FY2015.

Amount of CO_2 emissions※



※The amount of CO_2 emissions are calculated by using CO_2 emission factor of each electric power company for electricity, and using the factors based on the Act on Rationalizing Energy Use and the Act on Promotion of Global Warming Countermeasures for city gas, LPG, and heavy oil.

Reduction of CO_2 Emissions Through the Integration of Surface Treatment Lines

The lenses of headlamps are treated through two processes: hard coating and anti-fogging coating. Previously, the hard coating and anti-fogging coating were done on separate processing lines. KOITO is currently working gradually to integrate the conventional two lines into a single line, developing equipment and materials that would allow for the processes to be done on the same line.

The goal following integration is to reduce power consumption by 65% compared with conventional lines.

Introduction of renewable energy

In order to accelerate its initiatives towards achieving carbon neutrality, KOITO introduced "Shizuoka Green Electricity," a form of CO_2-free electricity generated from renewable energy, to all four of its plants in Shizuoka Prefecture from 2023.

We have also increased the use of clean energy by installing solar panels on plant buildings, etc. In FY2023, 99.7% of our electricity consumption came from renewable energy sources.

We are planning to introduce renewable energy in all companies in the Group and at our suppliers, and are working as a Group to reduce CO_2 emissions.

"Shizuoka Green Electricity" is a power service provided by Chubu Electric Power Miraiz Company, Incorporated, as a form of CO_2-free electricity generated from hydroelectric power in the prefecture's various river systems.

地球にやさしく、未来をあかるく。

静岡 Greenでんき

Efforts in Logistics

KOITO's logistics are carried out mainly by freight trucks. One of our domestic subsidiaries, Koito Transport, is primarily responsible for carrying out our logistics operations.

Koito Transport acquired the Green Business Certificate in February 2004. They are working with KOITO to operate environmentally friendly transport business by reducing environmental impact, with a focus on reducing the energy consumption of freight trucks, CO_2 emissions, and waste emitted through the logistics process.

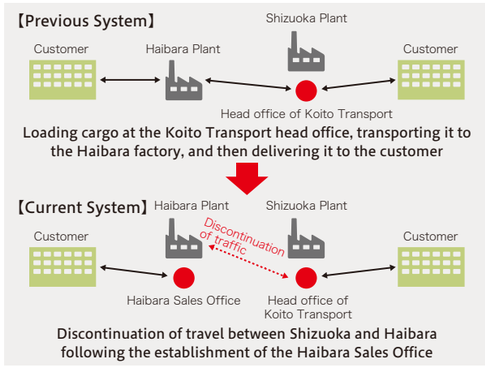
In FY2023, the amount of CO_2 emissions from KOITO's entire logistics operation was 13,400 tons and the energy usage per unit* was 1.47 kl per 100 million yen.

Amount of CO_2 emissions and energy usage per unit in logistics

*Energy usage per unit: Amount of energy (kl in crude oil equivalent) consumed in logistics per unit in sales (100 million yen).

Reduction of Driving Distances Through the Review of Transportation Hubs and Routes Aligned with Production Bases

Establishing the "Haibara Sales Office" as a new transportation base and securing efficient transportation routes has allowed us to reduce the annual distance traveled by 250,000 km, which has led to a reduction in CO_2 emissions as well as a reduction in the physical burden on drivers.

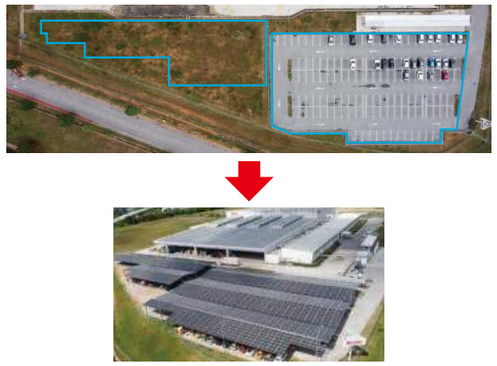


Environmental Activities in Overseas Subsidiaries

Reducing CO_2 Emissions Through the Introduction of Renewable Energy (Solar Panel Generation) (KOITO MALAYSIA / Malaysia)

KOITO MALAYSIA installed solar panels on the roofs of the buildings and parking lot of the plant.

Use of the electricity generated through these efforts has reduced annual CO_2 emissions by 20%.



Reduction of CO_2 Emissions Through the Optimization of Equipment Startup Timing at the Beginning of the Workweek (NAL Mexico / Mexico)

NAL Mexico has achieved an approximately 2% annual reduction in CO_2 emissions by optimizing the startup timing of facilities such as boilers and compressors at the start of the workweek, when the plant becomes operational. This was accomplished by shifting from simultaneous operation to initiating the equipment at each facility at the optimal timings.

Previous System: Startup Image

Simultaneous startup | Production begins

Facility	Sunday			Monday		
	Morning	Noon	Night	Morning	Noon	Night
Boiler		ON	ON	ON	ON	ON
Compressor		ON	ON	ON	ON	ON
Cooling Tower 1		ON	ON	ON	ON	ON
Cooling Tower 2		ON	ON	ON	ON	ON

After Improvement: Startup Image

Startup as needed | Production begins

Facility	Sunday			Monday		
	Morning	Noon	Night	Morning	Noon	Night
Boiler				ON	ON	ON
Compressor		ON		ON	ON	ON
Cooling Tower 1			ON	ON	ON	ON
Cooling Tower 2			ON	ON	ON	ON

Reduction of Environmental Impact Substances

KOITO commits in its Environmental Policy to strive to "develop and establish new environmentally friendly technologies and products throughout the product life cycle" and "minimize the environmental impact and use of resources and energy in the manufacturing process," and promote relevant activities, in order to reduce environmental impact substances and waste.

KOITO has set quantitative reduction targets for VOC emissions as part of its midterm priority activities. Activities are being implemented to reduce emissions while checking progress.

We will continue to actively engage in reducing environmental impact substances by promoting "Eco-friendly Manufacturing for People and the Earth."

Efforts in Production Processes

Some raw materials, such as paints and chemicals, as well as secondary materials used in the production processes, contain chemical substances that have negative environmental impact. KOITO is reducing these environmental impact substances by strengthening its management of the amounts used and emitted, improving consumption efficiency, and using alternative substances.

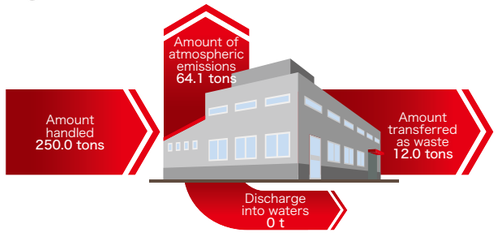
Management of Chemical Substances Regulated under the PRTR Act

KOITO keeps track of the amount of chemical substances handled or transferred in its production processes that are regulated under the PRTR Act, while managing them appropriately, and also working to reduce the amount used and replace them with alternative substances.

In FY2023, KOITO handled six substances subject to the PRTR Act (Class 1 designated chemical substances), including toluene and styrene. The amount of the substances handled was 250.0 tons, and the amount of atmospheric emissions and waste transfers was 76.1 tons.

In FY2023, the revised legislation that came into effect on April 1, 2023, resulted in an increase in these designated substances.

Amount of released and transferred substances regulated under the PRTR Act in FY2023



Reduction of VOC (Volatile Organic Compounds)

KOITO is working to maintain VOC emissions below 299 tons, the amount in the base year of FY2018, and to further reduce emissions per unit*1, as its target for FY2025.

In FY2023, we were able to reduce VOC emissions by 42% compared to FY2018. We have also achieved a 31% reduction in emissions per unit compared to FY2018.

KOITO has also not used the three major hazardous air pollutants*2, since we eliminated their use in March 2003.

*1 VOC emissions per unit: The amount of VOC emissions (kg) per production in monetary amount (million yen)
*2 Hazardous air pollutants: Dichloromethane, trichloroethylene and tetrachloroethylene

Amount of VOC emissions and VOC emissions per unit

Resource Conservation and Recycling

KOITO is actively working to effectively use raw materials, energy and other resources, and to reduce water consumption and waste, throughout our product life cycle.

The KOITO Group will continue to actively promote "Eco-friendly Manufacturing for People and the Earth," and strive to help realize recycle-oriented society.

Effective Use of Water Resources

KOITO has identified "conservation of water resources" as one of our materialities, having recognized the importance of water resources in our production activities, and the potential negative effects that future economic growth, population growth, and climate change could have on these water resources. As such, we are working towards the effective use of water resources and the protection of water quality.

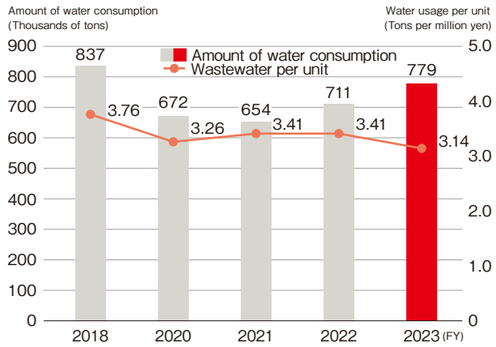
Our target for water consumption per unit of production* is a 7% reduction from the amount in FY2018 (3.51 tons per million yen) by FY2025, and we are promoting activities aimed at further reductions.

We have worked to enhance the awareness of employees towards water conservation and improve the efficiency of water consumption in our production processes. As a result, our water usage per unit in FY2023 was 16.5% lower and the amount of water consumption 6.9% lower than in FY2018.

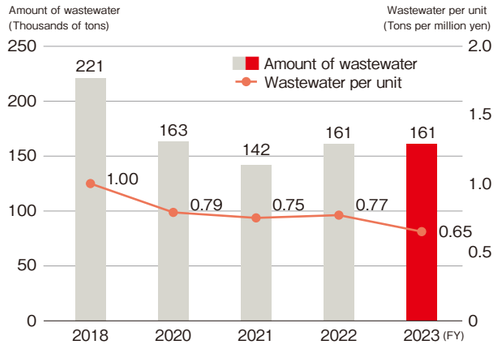
KOITO is also conducting water quality monitoring on the wastewater discharged from production sites to prevent water pollution in rivers or other bodies of water into which production sites wastewater is discharged.

*Water usage per unit: The amount of water consumption (tons) per production output (million yen)

Amount of water consumption and water usage per unit



Amount of wastewater and wastewater per unit



Efforts to Reduce Wastes and Recycling

KOITO is engaged in the reduction and efficient recycling of materials (including waste, valuable materials and recycled materials) discharged from all plants. KOITO has promoted waste reduction by setting the waste generated per unit as an index for recycling, mainly of resins, and for efficient use of resources in production.

Efforts to Reduce Amount of Waste from Production Sites and the Waste Generated per Unit

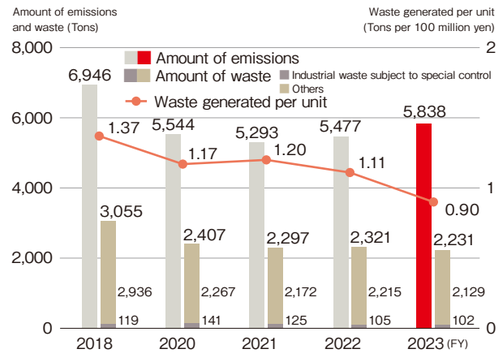
KOITO generated 5,838 tons of waste from plants in FY2023, of which 2,231 tons were processed as waste*1.

We are promoting activities with the goal of reducing waste per unit*2 by a further 7% from the value in the base year of FY2018 (1.28 tons per 100 million yen) by FY2025.

The waste generated per unit (amount of waste per production output) was 0.90 tons per 100 million yen, which was 34% lower than in FY2018 due to our continuous efforts to reduce the loss of defective resins.

*1 Waste: Generated material that requires processing costs, with this processing outsourced to disposal businesses contractors
*2 Waste generated per unit: Amount of waste (tons) per production output (100 million yen)

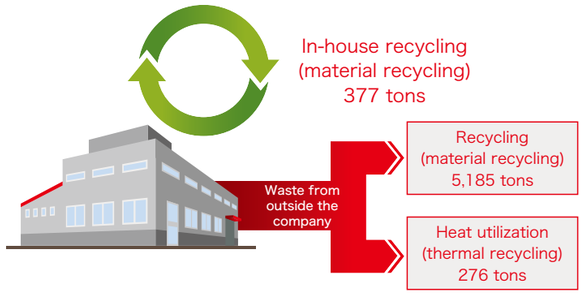
Amount of emissions and waste (per unit) from production sites



Promotion of Recycling

KOITO is working to improve its recycling rate (reduction of heat-utilizing waste, etc.). In FY2023, the amount recycled was 5,562 tons, meaning we were able to maintain a recycling rate of over 90%.

Amount of waste discharged at plants (FY2023)



Compliance with Environmental Laws and Regulations

KOITO conducts thorough risk management—specifying the sources of environmental risks, detecting abnormalities in the early stages through regular measurements, and establishing emergency response measures to minimize environmental risks by complying with environmental laws and regulations, for instance those meant to prevent air pollution, water contamination, and soil contamination.

Through these risk management activities, we ensure that emissions, water quality, noise, soil and groundwater contamination are within the ranges permitted under laws, regulations and standards. In FY2023, neither violations of environmental laws and regulations nor fines were reported at the KOITO Group.

The KOITO Group is committed to compliance with environmental laws and regulations and continue to work on environmental risk management.

Environmental risk management to comply with environmental laws and regulations

Risk management		Procedures	
Risk avoidance and removal	Prevention of environmental pollution	Identification of sources	・Identification of facilities and equipment which may cause environmental pollution in case of malfunction
		Source management	・Scheduled inspections and repair of designated facilities or equipment ・Elimination of environmental near-miss incidents and prevention of recurrence
	Early detection of abnormalities	Establishing self-management standards	・Establishing self-management standards that are stricter than legal regulations
		Daily inspections (Monitoring and measurement)	・Management within self-management standards (Implementing preventive measures before standards exceed legal regulations)
Prevention of risk expansion	Emergency response	Establishing emergency response procedures	・Establishing abnormality handling procedures ・Establishing procedures to notify nearby residents and public agencies
		Implementation of training to handle abnormalities	・Implementation of periodic training

Environmental Accounting

KOITO is enhancing the efficiency of its environmental conservation efforts by quantitatively assessing and evaluating the costs invested and the outcomes achieved through "environmental accounting."

Environmental Conservation Costs

(Millions of yen)

Category		Initiatives in FY2023	FY2022 Results		FY2023 Results	
			Amount invested	Cost	Amount invested	Cost
Cost in business area	Pollution prevention costs	・Upgrading and maintaining equipment related to wastewater treatment and air pollution prevention ・Measurements, inspections, labor costs, etc. associated with pollution prevention efforts	73	48	60	48
	Global environmental protection costs	・Upgrading to high-efficiency energy equipment ・Green space management within the plants, etc.	563	10	1,631	10
	Resource recycling costs	・Updating of in-house recycling equipment ・Waste management, recycling processing, outsourcing costs, etc.	—	119	—	120
	Subtotal		636	177	1,692	178
Upstream/downstream costs		・Capital investment in equipment related to environmentally beneficial products (energy-efficient products, hazardous substance-free products, etc.)	313	1	380	1
Administrative activity costs		・Costs associated with environmental management system audits ・Costs for monitoring environmental impact, etc.	—	3	—	1
R&D costs		・R&D costs for environmentally beneficial products, etc. ・R&D costs for reducing environmental impact substances during the manufacturing stage of products, etc.	—	470	—	478
Social activity costs		・Cleaning activities around the workplace and surrounding areas, etc.	—	—	—	—
Environmental Damage Costs		—	—	—	—	—
Total			949	651	2,072	658
			1,600		2,730	

＊"—" indicates items less than 1 million yen or items that are not applicable.
＊Depreciation of capital investment is not included in the amount of expenses.

Environmental Conservation Effects

(Tons)

Category	Initiatives	FY2023 Results
Global warming prevention	Reduction in CO_2 emissions	8,907
Environmentally hazardous substances	Reduction in handling of PRTR substances	35 (Increase)
	Reduction in VOC emissions	0
Water resources	Reduction in use of municipal water	11,348 (Increase)

Economic Benefits Associated with Environmental Protection Measures

(Millions of yen)

Category	Initiatives	FY2023 Results
Energy	Energy cost savings	529
Resource recycling	Reduction in waste disposal costs	11
Water resources	Cost savings from reduced water consumption	2 (Increase)
Total		538

＊Calculations are based on our standards, referring to the Ministry of the Environment's guidelines, etc.
The "environmental preservation effects" and "economic effects of environmental preservation measures" are calculated based on the direct effects brought about by the investment and expense of environmental preservation costs.
Only the environmental preservation costs and effects of domestic affiliates that are mainly engaged in manufacturing that can be clearly identified as costs spent on environmental preservation are included in the calculation.

Disclosure in Accordance with the TCFD Recommendations

The Financial Stability Board established the TCFD in December 2015 in response to a request from the G20, amidst the intensifying effects of climate change around the world. In June 2017, the TCFD issued the TCFD recommendations, which require companies and others to disclose information on the risks and opportunities that climate change may have on their company based on four themes: governance, strategy, risk management, as well as metrics and targets.

KOITO signed in support of the TCFD in December 2021, and is actively promoting activities to reduce CO_2 emissions and disclose related information in order to realize carbon neutrality in FY2050.

We will continue to analyze the impact of climate change on our business and implement measures to address it in order to ensure sustainable growth.

Governance

The KOITO Group considers climate change to be one of its critical management issues and has designated the "mitigation of global warming" as one of its key materialities (priority issues). Through its business operations, the KOITO Group is committed to reducing CO_2 emissions.

These climate change-related issues are comprehensively addressed by the CN Committee, which is chaired by the Executive Vice President and attended by the Chairman, President, and relevant board members as well as executive officers, and is under the supervision of the Board of Directors. Through this committee, we ensure company-wide engagement in climate actions.

Climate Change Response System Diagram

Strategy

Progression of climate change may affect the KOITO Group's business activities in various ways, including an increase in typhoons/floods. While there are risks in the process of mitigating climate change, such as increased response costs, the KOITO Group believes that it could also be a business opportunity to develop/expand sales of our low emission products.

In light of the above considerations, the KOITO Group has identified, based on the TCFD recommendations, climate change-related risks and opportunities that can currently be reflected in our financial statements. Additional items will be incorporated into its financial statements once the scope of its climate change scenarios is revised or expanded, and calculations of impact amount become feasible in response to evolving factors.

In analyzing the scenarios, the KOITO Group referred to the "RCP8.5" (the 4°C scenario) of the Intergovernmental Panel on Climate Change (IPCC) and the "NZE" (the 1.5°C scenario) of the International Energy Agency (IEA).

Climate change-related risks/opportunity

Items	Items impacting the KOITO Group
Risks	Increasing costs for CO_2 emissions (e.g. carbon tax/investments for carbon neutrality/renewable energy introduction costs, etc.)
	Increase in raw material costs (e.g. price shift of CO_2 reduction costs from suppliers, etc.)
Opportunity	Development/sales expansion of low emission products (e.g. revenue increase due to progress in the shift to LED headlamps beyond the plan, etc.)

Risk Management

The KOITO Group primarily identifies, evaluates and manages climate change-related risks through the Sustainability Promotion Office, which serves as the secretariat for the CN Committee. It monitors the progress of activities across various organizations and reports to the CN Committee and the Board of Directors as necessary.

Metrics and Targets

In order to achieve carbon neutrality by FY2050, the KOITO Group promotes CO_2 reduction activities on a global scale and strives to achieve the reduction targets of each country, with the aim of mitigating global warming, which it has set as one of its materialities (priority issues). The interim reduction target for FY2030 is a 50% reduction from FY2015.

We are also currently working on calculating Scope 3 emissions and setting related targets in order to strengthen emission reduction efforts across the entire supply chain.

■ Monitoring metrics

・Consolidated Scope 1 (direct) and Scope 2 (indirect) CO_2 emissions

■ Target for FY2030

・CO_2 emissions (Scope 1+2): 50% reduction from FY2015 (Decrease of 271,500 tons)

■ Result for FY2023

・CO_2 emissions (Scope 1+2): 326,700 tons

Consolidated Scope 1+2 Greenhouse Gas Emissions

＊Since the KOITO Group emits minimal amounts of greenhouse gases other than CO_2, the graph above shows only its CO_2 emissions.

Social Activities

Efforts to Improve Safety and Security

KOITO's basic management policy is to create customer needs and contribute to the progress of society, guided by the theme of "Light." We have identified the "reduction of traffic accidents" and "technological developments that contribute to a sustainable society" as two of our materialities, and develop products that contribute to the realization of a safe and secure automotive society under our corporate message, "Lighting for Your Safety."

To further improve the performance of LED headlamps and ADBs, we are also promoting R&D activities for Advanced Driving Assistance System (ADAS), next-generation lamps, and various sensors (LiDAR, cameras, etc.) that are compatible with autonomous driving.

The KOITO Group will continue to contribute to the improvement of safety and security in automotive society through the development and supply of safe and high-quality products and services that leverage our technologies.

Development of Technologies and Products Contributing to Safety and Security

LED Headlamps

KOITO has been developing high-output and high-performance light sources to create headlamps that provide brighter light for greater distances for safe nighttime driving.

LED headlamps are KOITO's main products. They help drivers gain a clear view at night as they are bright, turn on instantly, and offer a daylight-level view. KOITO is also developing laser headlamps to further improve distance visibility.

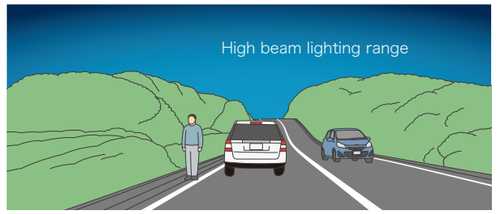
Evolution of Light Sources

ADB (Adaptive Driving Beam)

KOITO has developed a headlamp system called the ADB (Adaptive Driving Beam) that automatically controls the light distribution pattern of the high beam, and ensures wide front visibility for drivers by enabling driving with high beams at all times, while simultaneously protecting preceding or oncoming vehicles from glare.

KOITO is also conducting R&D activities on ADB to further improve the safety of nighttime driving by providing finer light distribution.

Image of ADB photometry



Quality and Product Safety

The KOITO Group declares in the "KOITO Group Corporate Behavior Charter" that "we will gain customers' satisfaction and trust through developing and providing safe and high-quality products and services," and identified "enhancement of product quality" as one of its materialities. We strive to create products with a customer-first attitude to maintain and further improve the quality of all products and services we provide to our customers.

The KOITO Group is utilizing its Quality Management System (QMS) to maintain and supervise the quality level in all of our departments, from development to production.

We will continue engaging in quality assurance activities to meet the circumstances of various countries or regions and will continue helping to realize a sustainable society through the maintenance and improvement of product quality.

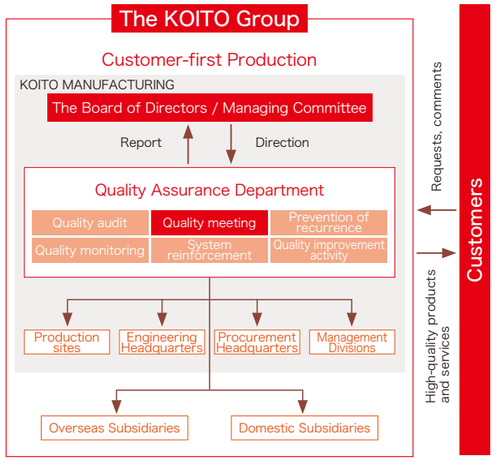
Quality Management Structure

KOITO has established a quality management system based on ISO 9001 and IATF 16949, which are international standards meant to ensure seamless operations.

Internal Quality Audits chaired by the Quality Assurance Manager are conducted at least once a year to make decisions on the quality management aspects and to monitor the quality management status of the entire KOITO Group.

The progress of these activities is reported to the Board of Directors and the Managing Committee by the Director or Corporate Officer who is in charge of the Quality Assurance Department, in order to strengthen the management system through monitoring by the management. KOITO is also building a system to uncover the causes of any defects found, and implement prevention measures in case any defects are found, through quality tests and evaluations.

Quality Management System



Acquisition of Quality Management System Certificates

We are working to obtain ISO 9001 or IATF 16949 certification for all production sites, including overseas affiliates.

All of the subsidiaries and departments of KOITO will continue to carry out thorough PDCA cycles and ensure product safety and quality through the enhancement of the quality management system.

We also check to see whether our suppliers have acquired or renewed ISO and other certifications, and are working to strengthen quality control throughout the supply chain.

Environmental certification acquired in the KOITO Group

ISO 9001
KOITO KYUSHU
Shizuokadenso
Nissei Industries
Fujieda Auto Lighting
Shizuoka Wire Harness
KOITO ELECTRIC INDUSTRIES

IATF 16949
KOITO MANUFACTURING
Aoitec
North American Lighting (U.S.A.)
North American Lighting Mexico (Mexico)
NAL Brasil (Brazil)
Koito Europe (U.K.)
Koito Czech (Czech Republic)
GUANGZHOU KOITO (China)
Hubei Koito (China)
FUZHOU KOITO TAYIH (China)
THAI KOITO COMPANY LIMITED (Thailand)
PT. INDONESIA KOITO (Indonesia)
Ta Yih Industrial (Taiwan)
INDIA JAPAN LIGHTING (India)
KOITO MALAYSIA (Malaysia)

Efforts in Quality Improvement

Quality education is a mandatory part of the training for each level of employee, including new employees and managers, and is provided to all employees.

The "Process Management Basics and Change Point Management Course" and the "SQC (Statistical Quality Control) Basics Course" became mandatory in FY2023, in addition to the "QC-style Way of Viewing and Thinking Course." Through these and other efforts, we strive to improve employee knowledge related to quality control.

We are also holding periodic QC circle activities and improvement presentation sessions (FQC Meeting, Staff QC Meeting and others) to improve quality management activities.

In addition, we select key suppliers and provide guidance on quality improvement/enhancement in order to strengthen quality control throughout the supply chain, and are working towards zero defects by sharing information on defects and implementing countermeasures across all suppliers.

Staff QC Meeting (2019)

Supply Chain Management

Here at KOITO, we believe that it is important to fulfill our social responsibility throughout the entire supply chain to practice"Eco-friendly Manufacturing for People and the Earth" through all of our business activities. We have thus established a Procurement Policy to respond to social demands and expectations, and deliver high-quality service to our customers in cooperation with suppliers.

KOITO also presents its expectations on the cost, quality and the elimination of industrial accidents to each supplier to achieve these goals together.

In doing so, we are working to realize a sustainable society throughout the entire supply chain while cherishing the close relationships we have with our suppliers.

For further details regarding the Procurement Policy, please refer to our website.
URL: https://www.koito.co.jp/english/sustainability/social/supplychain/

Initiatives to Strengthen Cooperation with Business Partners and Promote Co-Existence and Co-Prosperity

In March 2022, KOITO formulated and announced its "Declaration of Partnership Building" to strengthen collaboration with our business partners, promote mutual prosperity, and contribute to the sustainable growth of the society throughout the supply chain.

In the declaration, the following individual items are clearly indicated as KOITO initiatives.

- We will strengthen collaboration with other companies to accelerate open innovation, in order to respond to the transformation of automobiles and mobility.
- We will promote information sharing and digitization using IT to improve operational efficiency with related business partners.

パートナーシップ構築宣言

For further details regarding the Declaration of Partnership Building, please refer to our website.
URL: https://www.koito.co.jp/sustainability/docs/3f002b44fe4d77d20296979960713afa6b6eab7d.pdf

Strengthening of CSR in the Supply Chain

KOITO holds an annual "Procurement Policy Briefing Session" and monthly "Supplier Information Liaison Meeting," amongst various other opportunities to help our suppliers understand our CSR initiatives, and provide consultation on the topic as necessary. At the Procurement Policy Briefing Session, we share policies on sales, technology, production, quality and other matters, and also ask our suppliers to thoroughly comply with laws and regulations. We have also established a system for suppliers so that they can inform us and promote compliance in the event of their violating the law.

In addition, we encourage our suppliers to actively acquire environmental certification, and check the status of their certification every year. During fire and disaster prevention inspections of our suppliers, KOITO also confirms the management system and the amount of organic solvents used by suppliers. In the event that there is a problem with the suppliers' management system or another aspect of their system, we request that they submit an improvement plan and provide support for their measures.

We ask suppliers who conduct business with the KOITO Group to implement environmental and social measures to help realize a sustainable supply chain.

We also confirm the implementation status of some of our suppliers' overall CSR activities, including in the areas of quality, human rights, environment, and compliance.

■ KOITO CSR activities

1. Measures based on the "Guideline for the Right Transaction of Automobile Industry"
2. Continuous investigation on the inclusion of environmental impact substances
3. Continuous annual investigation on conflict minerals
4. Thorough compliance with laws and regulations concerning human rights and labor
5. Thorough implementation of compliance issues in general (Concluding contracts to eliminate anti-social forces, etc.)

■ Environmental requests

- Acquisition of external environmental certifications such as ISO 14001 and Eco-Action 21
- Strengthening of initiatives towards carbon neutrality
- Banning the use of certain materials under the RoHS Directive
- Ensuring transparency on substances under the REACH Regulation
- Ensuring the traceability of nanomaterials contained in products
- Formulation of environmental policies covering the automobile industry's key challenges

■ Social requests

- Abolishing of child labor, forced labor, and discrimination
- Promotion of occupational safety and health
- Securing of decent wages and working hours
- Prevention of other inhuman behaviors
- Engaging in the responsible procurement of minerals

Measures on Conflict Minerals

It has become an international concern that some minerals mined in the Democratic Republic of the Congo and nearby nations have been the source of financing for armed forces engaging in human rights violations. The U.S. has defined four types of minerals (tin, tantalum, tungsten and gold) produced in these regions as "conflict minerals" in the Dodd-Frank Wall Street Reform and Consumer Protection Act and mandated annual investigations into and disclosure of information on the use of these minerals.

KOITO avoids the use of conflict minerals, along with its suppliers, by conducting annual investigations on conflict minerals so as not to assist human rights violations and environmental destruction. and to fulfill its social responsibility throughout the supply chain. When starting business with a new supplier, we carefully examine the results of relevant conflict minerals investigations and consider the feasibility of conducting the transactions.

Human Resource Management

KOITO is working to realize the SDG goals of "Leave no one behind" and "Well-being for all" by respecting diverse values regardless of an individual's nationality or gender, and by promoting the creation of a corporate culture and systems that encourage employees to continue taking on new challenges with enthusiasm.

KOITO considers "Promoting diversity" and "Enhancing work-life balance" as two of our most important efforts, and is working to secure and promote the active participation of diverse human resources, and create a comfortable working environment.

Diversity Promotion

KOITO recognizes that a variety of perspectives and values can be a strength in ensuring sustainable growth. In order to promote the active participation of diverse human resources, we have set KPIs and targets for the recruitment of women, foreigners, and mid-career hires as core personnel, and are working to promote diversity.

We are also striving to create a working environment that is comfortable for a diverse range of people, regardless of gender, age, nationality, race, religion, or disability, and are implementing a wide range of career support measures, and reviewing our performance evaluation and compensation systems to place greater emphasis on ability and results.

Goal for Ensuring Diversity

	FY2023 Results	FY2025 Targets	FY2030 Targets
Percentage of Women in Senior Management	2.5%	3.0%	10.0%
Percentage of Foreign Nationals in Senior Management	0.3%	1.0%	2.0%
Percentage of Mid-career Hires in Senior Management	9.5%	10.0%	15.0%

■ **Promoting the active participation of women**
- Ensuring fairness in promotion and recruitment
- Increasing the number of women in management positions and the number of new graduates and mid-career hires
- Implementing career development education for female employees and training for managers with female subordinates, etc.

■ **Promoting the active participation of foreign nationals**
- Hiring foreign nationals to strengthen research and development
- Strengthening recruitment activities for foreign students in collaboration with universities, etc.

■ **Promoting the active participation of older workers**
- Re-employing all applicants who wish to continue working after the age of 60, etc.

■ **Improving the treatment/compensation of non-regular employees**
- Appointing all part-time employees as regular employees (2019) etc.

■ **Promoting the active participation of people with disabilities**
- Creating workplaces where people with disabilities can play an active role, expanding employment opportunities etc.

Enhancing Work-Life Balance

KOITO is working to enhance work-life balance, with a focus on reducing long working hours and promoting the use of annual leave, with the aim of creating an environment in which each and every employee can perform to the best of their abilities. In addition to a telecommuting system, we are also promoting flexible and diverse working styles, such as the introduction of a system of annual leave that can be taken in hourly units, which was implemented in April 2024.

We have also established childcare systems that are much more generous than the legal requirements—for instance, allowing employees to take childcare leave until their child is three years old (the legal requirement is up to two years old) and to work shorter hours until their child graduates from elementary school (the legal requirement is up to three years old). A unique element of our childcare system is that the first six days of childcare leave is paid (normally, childcare leave is unpaid and only public benefits are provided), and the promotion of activities to deepen understanding of childcare throughout the workplace, which is meant to promote active participation in childcare by men. As a result, the rate of childcare leave taken by both men and women in FY2023 was 100%.

We will continue to work to create an organization and environment where employees can play an active role regardless of their gender.

■ **Limiting long working hours**
- Establishment of the Annual Paid Leave Promotion Committee to manage progress and follow up on the annual paid leave target (15 days or more per year)
- Reporting of monthly overtime hours by department at executive meetings and reduction of overtime hours through improved work efficiency
- Introduction of a flexible work system that allows employees to choose their own arrival and departure times

	FY2021 Results	FY2022 Results	FY2023 Results
Number of paid leave per employees	16.5 days	16.3 days	16.9 days
Acquisition rate	82.5%	81.5%	84.5%
Monthly average overtime hours	9.3 hours	10.9 hours	12.3 hours

■ **Support for balancing work and childcare**
- Provision of paid public holidays to employees whose spouses have given birth, and promotion of leave acquisition
- Introduction of parental leave system that allows leave until the end of the fiscal year in which the child turns three years old (legal requirement is up to two years old)
- Introduction of childcare leave system that allows employees raising children to take leave for childcare purposes up to the child's elementary school graduation
- Introduction of a shortened work hours system that allows employees raising children to work part-time up to the child's elementary school graduation
- Introduction of hourly paid leave system, allowing employees to take annual leave in hourly increments up to five days per year

		FY2021 Results	FY2022 Results	FY2023 Results
Number of employees taking childcare leave	Male	20	63	79
	Acquisition rate	17.1%	53.4%	100%
	Female	22	56	19
	Acquisition rate	100%	100%	100%

■ **Support for balancing work and childcare**
- Introduction of a caregiving leave system that allows employees who need to provide long-term for a family member to take leave for up to one year
- Introduction of a part-time work system that allows employees who need to provide long-term care for a family member to work part-time
- Implementation of seminars regarding balancing work and long-term care for those who desire it
- Introduction of an hourly paid leave system, allowing employees to take annual leave in hourly increments up to five days a year

Enhancement of Our Member Benefits

KOITO is working to enhance our member benefits and improve the workplace environment to increase employee motivation.

KOITO offers dormitories, company housing, and cafeteria facilities for employees, as benefits. We have also introduced an employee stock purchase plan (ESPP) to support employee property formation and their sharing in the company's medium- to long-term growth.

The improvement of the workplace environment includes the installation of security cameras at entrance gates and dormitories to enhance security, installation of automatic fire extinguishers as a fire safety measure, and replacing lights with LED lamps at production site work areas to reduce employee workload.

Health and Hygiene

KOITO is implementing various activities to provide a healthy and safe workplace environment, based on five occupational health management elements (work environment management, work management, health management, hygiene education, and hygiene management system).

■ **Activities on health**
- Implementing periodic medical checkups and providing results to employees
- Influenza vaccination for applicants
- Implementing special health checkups to confirm there are no occupational illnesses
- Implementing life-saving seminars (including AED seminars and others)

■ **Efforts to maintain and promote mental health**

We provide "self-care" training for new employees and applicants, and "line-care" training for managers and chiefs to help prevent mental health issues in our employees.

We conduct annual stress checks for all employees to encourage self-care and provide support through individual counseling. We are also working to improve our support system by establishing an external consulting desk where employees can receive consultation on any mental health issues over the phone.

■ **Activities on hygiene**
- Implementing training for hazardous chemical substances
- Preventing accidents and health impairment through special education for those handling organic solvents and powders
- Implementing health lectures during National Occupational Health Week
- Preventing collective infections at dining halls (sanitary inspections, etc.)

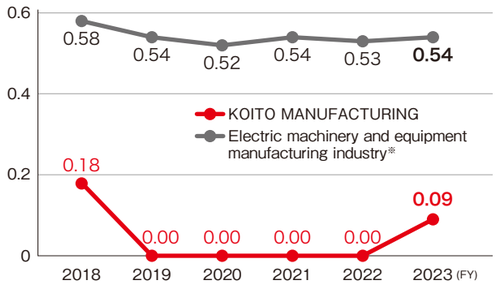
Occupational Safety and Health

KOITO adopts "Safety comes first" as the basic approach to safety and health and aims to create a safe, secure, and comfortable work environment with the participation of all employees. Five Safety Rules are also set as the standard actions to follow in all activities that are to be practiced by the entire Group.

The Safe and Environmental Committee, chaired by the Representative Director, meets monthly to discuss policies on employee safety and health measures, including measures to prevent the recurrence of problems or accidents, as well as other important issues. The matters discussed at the Safe and Environmental Committee are presented to every employee through the Safe and Health Committee and the Safe and Environmental Committee at each production site, or the worksite safety meetings conducted at their worksites.

KOITO repeatedly provides education and accident drills to all personnel working on company premises, in order to train our human resources to follow safety rules and increase their safety awareness. We are also conducting risk assessment and risk detection activities to enhance employee intiuition when it comes to discovering potential risks at the worksites. Directors and managers also conduct on-site inspections, identify unsafe conditions, and take preventive measures with the goal of zero labor disaster and traffic accidents.

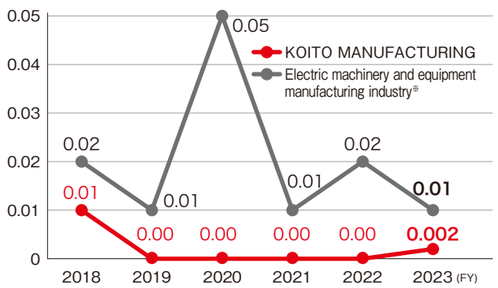
Process safety total incident rate (lost worktime)



$$\text{Process safety total incident rate} = \frac{\text{Number of workers absent due to industrial accident}}{\text{Total working hours}} \times 1{,}000{,}000$$

※Source: The Ministry of Health, Labour and Welfare Website

Process safety incident severity rate (lost worktime)



$$\text{Process safety incident severity rate} = \frac{\text{Total lost working hours}}{\text{Total working hours}} \times 1{,}000$$

※Source: The Ministry of Health, Labour and Welfare Website

Initiatives between Management and Employees

A strong relationship based on mutual trust between management and employees is essential for building a workplace environment where each individual employee can perform to the best of their capabilities, and maintain and improve their productivity and motivation.

The KOITO Labor Union, which consists of 3,716 KOITO employees, is a member of the JAM Shizuoka (Union membership rate for FY2023: 98.9%). KOITO generally holds monthly labor management meetings with the KOITO Labor Union to discuss various issues such as business performance and labor conditions.

In addition, the labor union regularly conducts a union employee awareness survey on employee workplaces, operations, and careers, targeting all union members. The labor union uses the findings to improve union activities and its recommendations to KOITO.

Respect for Human Rights

One of our management philosophies is "stepping forward to realize our employees' dreams," and we declare in the KOITO Group Corporate Behavior Charter that "we will respect the human rights of all persons." To reinforce and articulate our commitment to respecting human rights across the entire Group, we established the "KOITO Group Human Rights Policy" and resolved it at the Board of Directors' meeting held on May 29,2024.

We provide employee education on respecting human rights as a part of our compliance education. Training to address specific issues, such as harassment training, is offered when necessary to raise every employee's awareness on respecting human rights.

By fostering communication not only with employees but also with business partners and local communities, and by respecting the human rights of all stakeholders, we strive to remain a company trusted by the international community. Furthermore, as a responsible member of society, we will continue to pursue business activities that contribute to the coexistence and mutual prosperity of society.

Please refer to our website for the full text of our Human Rights Policy.
URL: https://www.koito.co.jp/english/sustainability/social/humanrights/

Social Contribution Activities

To realize one of our management philosophies, "fostering mutually beneficial relationships with all stakeholders as a member of the society," we declare in the KOITO Group Corporate Behavior Charter that "we will be conscious of our responsibility as a good corporate citizen, and actively engage in social contribution activities, and we will contribute to the realization of a prosperous society." We promote various activities based on this statement.

Domestic Environmental Conservation Activities

As part of its efforts towards environmental conservation and biodiversity, KOTIO is conducting activities such as weeding at Miho-no-Matsubara—the constituent property of the global cultural heritage site of Mt. Fuji—and cleaning the surrounding coasts.

Weeding at Miho-no-Matsubara (2019)

Cleanup Activities at Miho-no-Matsubara Coast (2019)

Overseas Environmental Conservation Activities

INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL) is working to protect the environment and preserve biodiversity through the implementation of ongoing greening activities at its plants.

Exchanges with local schools (2019)

Afforestation activities (2019)

Participation in Regional Activities at Production Sites

KOITO's production sites periodically holds roundtable sessions with residents of local communities and open the sites to local community associations during summer festivals.

We also host site tours for the residents and accept children's visits so that they can better understand our corporate activities.

Summer Festival (2019)

Children's visiting day (2019)

Major External Evaluations

Evaluation on Our Environmental Activities

In the "Climate Change" survey conducted by the British non-profit organization CDP (formerly known as the Carbon Disclosure Project), we received a "B-(management)" rating. (As of January 2024)

"Kurumin" Certification

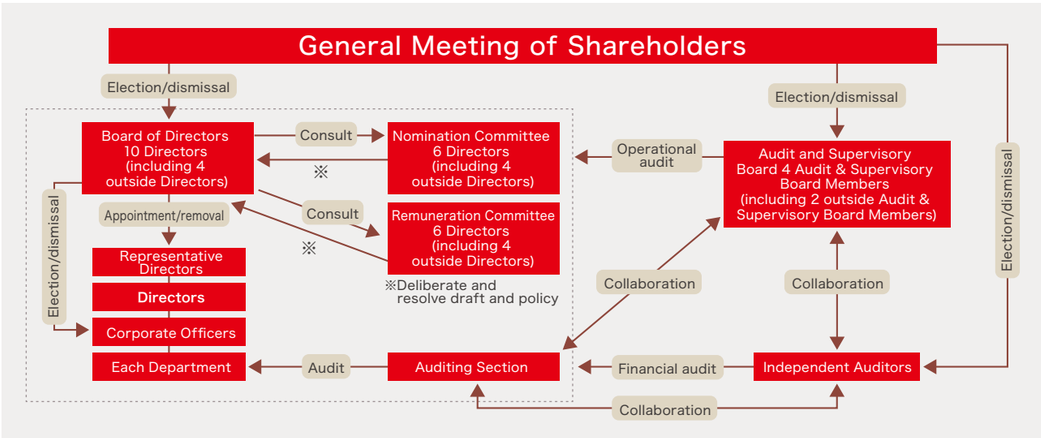
KOITO has received the "Kurumin" Certification from the Minister of Health, Labour and Welfare, and has been acknowledged as a "Childcare Support Company" for its excellent initiatives in helping employees balance work and childcare responsibilities.

Governance

KOITO recognizes the importance of ethical standards and the establishment of a sound management structure to retain the trust of all of our stakeholders. We have thus identified the enhancement of "corporate governance" as one of our materialities and are promoting several activities to this end.

Corporate Governance

The KOITO board has been comprised 10 directors (including four outside directors) since June 2024, with directors serving one-year terms. This structure is designed to enhance objectivity and transparency in management while enabling a swift response to changes in the business environment.



	Board of Directors	Audit and Supervisory Board
Frequency	Generally once per month	Eight times per year (FY2023)
Function	The Board of Directors discusses, reports, and makes decisions on matters stipulated in the Board of Directors Regulations, including those matters stipulated by laws, regulations, and the Articles of Incorporation, and supervises the execution of director business operations.	The Audit and Supervisory Board members participate in the Board of Directors and other important meetings and committees, review significant authorization documents, and audit the performance of directors. They also monitor the structure and operation of the internal control system.
Structure	●All Audit and Supervisory Board members attend meetings of the Board of Directors to monitor the directors' business operations. ●The Managing Committee (chaired by the President), a body to aid the Board of Directors, is comprised of full-time directors and corporate officers. The committee generally meets, three times per month in order to determine business operations, report on progress, and follow up on business operations. ●The governance structure is being strengthened; new proposal agendas are required to be approved by the Managing Committee and then by the Board of Directors.	●In addition to the Board of Directors, the standing Audit and Supervisory Board members attend the Managing Committee and other important meetings, constantly monitor the directors' business operations, and express opinions as needed. ●Improves its auditing functions through close collaboration between Audit and Supervisory Board members, the Internal Audit Department, and independent auditors by holding periodic meetings and letting them exchange information and opinions as needed.

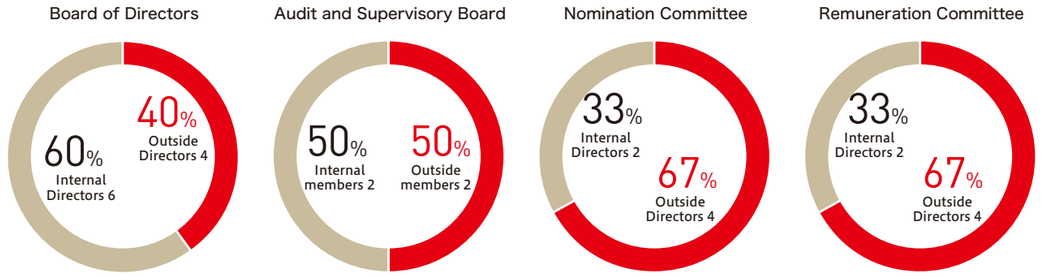
	Nomination Committee	Remuneration Committee
Frequency	Twice per year (FY2023)	Twice per year (FY2023)
Function	In response to consultations from the Board of Directors, the Nomination Committee deliberates on draft proposals for the appointment and dismissal of directors to be submitted to the General Meeting of Shareholders, as well as draft proposals for the selection, dismissal, and allocation of duties of representative directors and executive directors to be submitted to the Board of Directors. Based on these deliberations, the Nomination Committee determines the drafts, policies, and other relevant matters.	In response to consultations from the Board of Directors, the Remuneration Committee deliberates on matters related to the remuneration of directors and decides on an original plan and policy. The Renumeration Committee deliberates on the policy for determining the remuneration of individual directors based on this original plan and policy.

Members of the Board of Directors, Audit and Supervisory Board, Nomination Committee and Remuneration Committee (As of June 27, 2024)

◎Chair, ○Members

					Board of Directors	Audit and Supervisory Board	Nomination Committee	Remuneration Committee
Directors	Chairman and CEO			Masahiro Otake	○		◎	◎
	President and COO			Michiaki Kato	◎		○	○
	Executive Vice President			Masami Uchiyama	○			
	Executive Vice President			Hideharu Konagaya	○			
	Senior Managing Director			Katsuyuki Kusakawa	○			
	Senior Managing Director			Jun Toyota	○			
	Outside Director	Outside	Independent	Haruya Uehara	○		○	○
	Outside Director	Outside	Independent	Kingo Sakurai	○		○	○
	Outside Director	Outside	Independent	Chika Igarashi	○		○	○
	Outside Director	Outside	Independent	Risa Tanaka	○		○	○
Audit & Supervisory Board Members	Standing Audit & Supervisory Board Member			Mitsuo Kikuchi	○	◎		
	Standing Audit & Supervisory Board Member			Koichi Sakakibara	○	○		
	Outside Audit & Supervisory Board Member	Outside	Independent	Hiroshi Kimeda	○	○		
	Outside Audit & Supervisory Board Member	Outside	Independent	Hidemi Yamaguchi	○	○		

Ratio of Outside Directors



Election Policy for Directors and Audit and Supervisory Board members Specialties and Experience of Directors

KOITO's policy is to elect directors and director candidates who are capable of responding to the expectations of shareholders as a director, and who have enough experience and advanced knowledge of business administration to fulfill the duties and responsibilities of a director.

The Nomination Committee deliberates and resolves a draft of director candidates based on this policy, after which the director candidates are determined by the Board of Directors. As a consultative body of the Board of Directors, the Nomination Committee consists of four independent outside directors and two internal Directors, in order to ensure objectivity and transparency of the nominations of the director candidates.

Each director has a thorough knowledge of their respective field of business management. KOITO regards the knowledge, experience, and capabilities of its directors, including the outside directors, as diverse and well-balanced.

For the election of Audit and Supervisory Board members, KOITO seeks candidates with strong ethical standards and integrity, capable of conducting audits of directors' duties with accuracy, fairness, and efficiency.

Specialties and Experience of Directors

		Corporate Management	Sales, Purchasing	Engineering, R&D	Production, Quality Management, Safe & Environment	Overseas Segment	Finance & Accounting	Corporate Planning, Legal, Personnel
Chairman and CEO	Masahiro Otake	○	○			○	○	○
President and COO	Michiaki Kato	○	○			○		
Executive Vice President	Masami Uchiyama	○	○		○	○		○
Executive Vice President	Hideharu Konagaya	○	○			○	○	○
Senior Managing Director	Katsuyuki Kusakawa	○		○		○		○
Senior Managing Director	Jun Toyota	○	○			○		
Outside Director	Haruya Uehara	○				○	○	
Outside Director	Kingo Sakurai						○	
Outside Director	Chika Igarashi							○
Outside Director	Risa Tanaka	○	○					

Note: The above chart does not represent all the skills of each Director.

Outside Directors and Audit and Supervisory Board Members

KOITO's policy on electing outside directors is to appoint persons who satisfy the requirements for outside directors in the Companies Act, and the requirements in the independence standard for the independent officer system of the Tokyo Stock Exchange.

Outside directors shall have abundant knowledge and experience in corporate administration. Outside Audit and Supervisory Board members shall have technical knowledge of laws and finance. Both outside directors and Audit and Supervisory Board members are elected based upon a decision at a General Meeting of Shareholders.

Evaluation of the Effectiveness of the Board of Directors

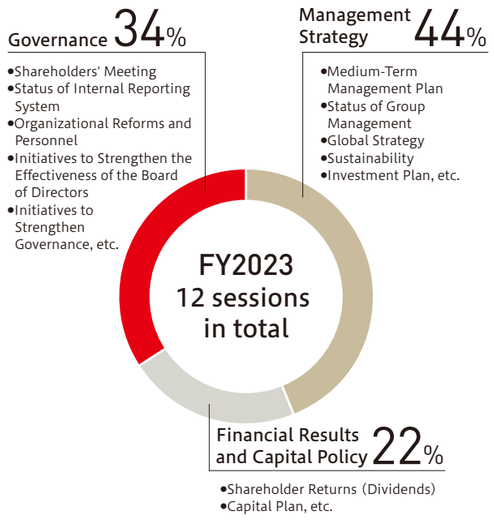
KOITO conducts annual surveys targeting all directors and Audit and Supervisory Board members to evaluate the effectiveness of the Board of Directors. The Board of Directors evaluates itself based on the survey findings.

The following is the outline of the results of this analysis and evaluation of the effectiveness of the Board of Directors in FY2023.

1. The Board of Directors generally meets monthly, and discusses important agenda items based on the Board of Directors Regulations in a prompt and appropriate manner.
2. The annual meeting schedule is announced to directors and Audit and Supervisory Board members, including its outside members, at the beginning of the year, making it easier for them to attend the meetings. The matters to be deliberated and reported at the meeting, and the content of the materials, are discussed in advance to facilitate discussion on management issues at the meeting.
3. In addition to the directors, who have experience in various business divisions such as management, sales, technical, production and more, the Board of Directors also receives advice and proposals from outside directors with extensive knowledge and experience of corporate management, or who have expertise in legal and financial matters. The Board of Directors ensures that there is sufficient time for such consultations and discusses management issues from a variety of perspectives.

Moving forward, KOITO will enhance information sharing to outside directors and officers by adding items such as recruitment plans and matters related to overall market trends and technological development status as items to be reported, thereby promoting the operation of the Board of Directors.

Number of Main Reports and Agenda Items at Our Board of Directors' Meetings in FY2023



Remuneration of Directors

The decision was made at the 119th Ordinary General Meeting of Shareholders held on June 27, 2019, that the amount of remuneration for Directors shall be no more than 1.5 billion yen a year (of which, the annual amount for outside directors shall be no more than 50 million yen a year). At the 115th Ordinary General Meeting of Shareholders held on June 26, 2015, the decision was made that the amount of compensation for stock acquisition rights as stock options for stock-based compensation would be up to 200 million yen a year, in addition to the amount of compensation for directors.

The director remuneration system consists of fixed remuneration paid monthly, and performance-linked remuneration. KOITO determines the amount of remuneration in a holistic manner, taking several factors into account based on our internal standards on director remuneration: corporate performance, amount of dividends to shareholders, remuneration amount of other companies, the amount of employee salaries, as well as the director's management capabilities, achievements, and contributions.

The fixed remuneration amount is calculated by setting a basic amount based on the size of the role of each director and their position, with an upper and lower limit amount for each position. The specific amount is based on the status difference within this position, and the number of years the director has been in that position.

Performance-linked remuneration is evaluated and decided based on the belief that it is important to consider the goals and achievement of each fiscal year's performance (net sales, profits, etc.) and each director's contribution in a comprehensive manner.

The goal of stock compensation-type stock options is to motivate company managers to contribute to improving business performance and corporate value in the medium- to long-term by sharing in the benefit of rising stock prices and the risk of falling stock prices with shareholders. The number of stock options granted is based on each director's status of business execution and level of contribution, amongst other factors, with directors able to exercises their options even once they have lost their position as director.

The Board of Directors consults with the Remuneration Committee regarding the policy to determine the remuneration of each and every director.

The remuneration of each Director is determined by consultations among the Representative Directors, based on the aforementioned policy authorized by the Board of Directors. The Remuneration Committee, an advisory body to the Board of Directors, consists of four independent outside directors and two internal directors in order to ensure the objectivity and transparency of the procedures to determine director remuneration, amongst other processes. Only fixed remuneration is paid, and no performance-linked remuneration is paid to outside directors.

The remuneration for Audit & Supervisory Board members was approved at the 112th Ordinary General Meeting of Shareholders held on June 28, 2012, as an annual amount not exceeding 120 million yen, and is determined through discussions among the corporate auditors. Only fixed remuneration is paid, and no performance-linked remuneration is paid to Audit and Supervisory Board members.

Total Remuneration and Related Figures for Outside Directors and Audit and Supervisory Board Members in FY2023

Category	The number of eligible members	Breakdown of remuneration		Total remuneration (Millions of yen)
		Fixed remuneration (Millions of yen)	Performance-linked remuneration (Millions of yen)	
Directors	10	501	206	708
Audit and Supervisory Board members	5	106	—	106
Total	15	608	206	814

Notes:
1. The above table includes one retired director and one retired Audit and Supervisory Board member at the conclusion of the 123rd Ordinary General Meeting of Shareholders held on June 29, 2023.
2. Aggregate remuneration for the outside directors and outside Audit and Supervisory Board members, a total of six individuals, was 69 million yen (fixed remuneration only).
3. In addition to the above, KOITO resolved to abolish the executive retirement bonus payment system for directors and Audit and Supervisory Board members at the conclusion of the 112th Ordinary General Meeting of Shareholders, held on June 28, 2012 and to grant executive retirement bonuses equivalent to the period each existing director/member spent at their post at the time of their retirement, up to the point of the system being abolished. On the basis of this resolution, an executive retirement bonus of 30 million yen was paid to one retired director.
   These amounts included 24 million yen, which was transferred from the provision for director retirement benefits included in the total remuneration to executives in the business report for past years.
4. Besides the above, two outside audit and Supervisory Board member received executive remuneration of 0 million yen from Koito Insurance Services Co., Ltd., KOITO's subsidiary. The Audit and Supervisory Board member who resigned also received 0 million yen from Koito Insurance Service as a retirement allowance for directors of that company.
5. Recurring profit is used as an indicator for performance-linked remuneration, as it reflects the overall results of KOITO's management activities, with remuneration calculated with consideration for the change in this indicator compared to the previous fiscal year. The amounts listed for recurring profit for the fiscal year under review and for the previous fiscal year are the amounts presented in the non-consolidated statements of income.

Status of Audits

Audit & Supervisory Board

The Audit & Supervisory Board consists of two full-time auditors and two outside auditors, a total of four auditors. The policy for the year, the responsibilities of each auditor, and the annual audit plan are formulated at the first meeting of the Audit & Supervisory Board, held after the Annual General Meeting of Shareholders every year, with audits conducted based on this plan.

In addition to attending and expressing their opinions at meetings of the Board of Directors, each corporate auditor utilizes their knowledge and experience in their respective field of expertise to audit the execution of duties by directors and the appropriateness of their corporate decision-making.

Corporate auditors visit subsidiaries and business sites and interview each functional department, and also attend audits conducted by accounting auditors and the internal audit department as needed. They also exchange information with relevant parties, including outside directors, as appropriate, to maintain cooperation and enhance the effectiveness of audits. Full-time corporate auditors share the details and results of their daily audits with outside corporate auditors in a timely manner. Based on their respective areas of expertise and knowledge, as well as information provided by the full-time corporate auditors, the outside corporate auditors contribute to the formulation of the company's management strategies and the enhancement of governance by asking questions and expressing opinions mainly at meetings of the Board of Directors, Board of Corporate Auditors, and liaison meetings with the accounting auditors and outside directors. The company has also established a Corporate Auditors' Office to assist the corporate auditors with their duties, by providing full-time staff with a certain degree of executive independence.

Internal Audit Department

At KOITO, the Internal Audit Office—an independent organization—conducts audits of the operational status, effectiveness, and accuracy of business execution, and compliance with respect to the business activities of each internal department and subsidiary, based on the annual audit plan. Each department and subsidiary is encouraged to improve internal controls by implementing the necessary improvements. The Internal Audit Office also reports audit results to directors and corporate auditors, and exchanges information with corporate auditors and accounting auditors on the status of audits to ensure mutual cooperation.

Basic Policy of Internal Control System

The Basic Policy of the Internal Control System is set as follows to improve and strengthen internal control.

1. System ensuring that Directors and employees execute their business duties in compliance with laws and regulations and the company's Articles of Incorporation

The Compliance Committee, the Compliance Department, the Internal Audit Department, whistle-blower internal reporting system, and other organizations and systems, as well as the Code of Corporate Ethics and other relevant regulations, will be developed and enhanced based on the KOITO Group Corporate Behavior Charter.

At the same time, KOITO's Directors, Corporate Officers, and employees will receive education familiarizing them with these organizations, systems, and regulations.

2. System for the preservation and administration of information on Directors executing their business duties

Regulations will be developed and enhanced to appropriately preserve and administer minutes of the General Meeting of Shareholders, the Board of Directors, the Managing Committee, and other information on the directors' execution of their business duties.

3. Regulations and other systems for managing the risk of loss

Risk Management Regulations and other regulations and systems for managing risk will be developed to avoid and eliminate material risks that could threaten the company's viability, and to minimize their impact when they arise. Meanwhile, KOITO's directors, corporate officers, and employees will also receive education and training on risk management.

4. System for ensuring the efficient execution of business duties by Directors

The Board of Directors and Managing Committee meetings will be held regularly. Meanwhile, the Board of Directors' Regulations, the Managing Committee's Regulations, and other regulations pertaining to the execution of business duties by the directors, as well as the corporate officer system and other organizations and systems, will be developed and enhanced to ensure the efficient execution of business duties by the directors.

Such business duties will be executed according to specific plans that each division develops every fiscal year based on the policy established by the president.

5. System for ensuring appropriate business execution by the corporate group comprising KOITO and its subsidiaries

KOITO and its Group companies will acknowledge the KOITO Group Corporate Behavior Charter and develop a system for ensuring and administering the appropriate execution of business duties as follows.

a. KOITO clarifies matters to be reported in the Subsidiary Company Management Regulations and other regulations and improves its reporting system. KOITO also requests regular business reports from the Group companies.
b. KOITO comprehensively and thoroughly manages the risks of the entire Group based on the Subsidiary Company Management Regulation and other regulations.
If the actions of the Group companies are insufficient, KOITO provides instruction and corrective action.
c. KOITO requests its Group companies to develop and improve regulations, organizations, and systems for regular meetings of the Board of Directors and the execution of duties by the directors.
Officers serve in multiple posts in important Group companies.
d. KOITO ensures that Group companies stay in compliance with laws and regulations based on the KOITO Group Corporate Behavior Charter and other regulations. KOITO's Management Department and Internal Audit Department also conduct audits and financial audits of Group companies.
KOITO also establishes the matters requiring approval in the Subsidiary Company Management Regulations and other regulations, with these business operations to be executed upon approval by KOITO.

6. Matters pertaining to the status of certain employees, independence from directors, and the effectiveness of instruction in the event the Audit and Supervisory Board members request such employees to assist in the execution of their duties

An Audit and Supervisory Board Members' Office will be established to help the Audit and Supervisory Board members execute their duties under the instructions and orders of the Audit and Supervisory Board members and the Audit and Supervisory Board.

Moreover, assignment of personnel to the Audit and Supervisory Board Members' Office shall be decided upon approval by the Audit and Supervisory Board to ensure independence from the directors.

7. System for directors and employees of KOITO and its subsidiaries to report to the Audit and Supervisory Board members, and for preventing unfair treatment of the directors and employees for reporting to the Audit and Supervisory Board members

Directors, corporate officers, and employees of KOITO and its Group companies shall report to the Audit and Supervisory Board members when they learn of matters of material impact on the company, serious violations of laws, regulations, and the Company's Articles of Incorporation, and other issues of compliance.

Moreover, each Audit and Supervisory Board member shall exercise their own discretion in reporting the findings from such reports to the Audit and Supervisory Board. Meanwhile, the company's organization and systems will be developed and enhanced to rigorously prevent the unfair treatment of directors, corporate officers, and employees who report to the Audit and Supervisory Board members.

8. Policy on expenses arising when the Audit and Supervisory Board members execute their duties and system for enabling the Audit and Supervisory Board members to conduct effective audits

The company will pay all necessary expenses involved in the execution of the Audit and Supervisory Board members' duties.

The Audit and Supervisory Board members will monitor and audit the execution of business duties at the company by means that include attending the Board of Directors, the Managing Committee, the Compliance Committees and other relevant conferences and committees, and examining important documents.

The Audit and Supervisory Board members will exchange opinions periodically or as needed with directors, corporate officers, financial auditors, and the Internal Audit Department, among others.

Shareholdings

Based on KOITO's management strategies and plans, we believe that strengthening business relations with other companies is essential to expanding our business and achieving sustainable growth. From this perspective, we consider various issues in a comprehensive manner and hold certain shares for purposes other than pure investment. We regularly scrutinize our shareholdings to verify whether they are commensurate with dividend yields and the cost of capital, while also keeping in mind reductions, in order to determine their appropriateness.

In FY2023, we promoted the reduction of policy stockholdings and sold 13 brands.

Basic Standards and Policy for Classification of Investment Shares

With respect to the classification of investment shares held for pure investment purposes and otherwise, KOITO designates shares held solely for the purpose of receiving profits from changes in the value of shares or dividends on shares as investment shares for pure investment purposes, and as other shares for investment shares held for purposes other than pure investment.

Basic Policy for Voting Rights

The exercise of voting rights is not based on a uniform standard, but rather on the perspective of whether it will lead to sustainable corporate growth and enhancement of corporate value over the medium- to long-term.

Number of Brands and Amount Posted in Balance Sheet

	Amount posted in balance sheet (March 31, 2023)	Brands for which we decreased our shares in FY2023	Brands for which we increased our shares in FY2023	Amount posted in balance sheet (March 31, 2024)
Unlisted shares	17 brands	—	—	17 brands
	¥15,409 million	—	—	¥17,799 million
Other shares	43 brands	13 brands	—	34 brands
	¥23,546 million	¥5,687 million	—	¥25,239 million

Stocks whose number of shares fluctuated due to the consolidation of shares, stock splits, stock transfers, stock exchanges, mergers, and other organizational reorganizations are not included.

Compliance

KOITO aims to continue being a company that is trusted by all stakeholders, and declares in the KOITO Group Corporate Behavior Charter that "we will comply with all applicable laws and regulations and will engage in fair, transparent, and free market competition, as well as proper trade, and responsible procurement," and "in our global corporate activities, we will also comply with international rules and local laws, respect local culture and customs, and maintain sound relationships with government and government agencies." KOITO has identified the strengthening of matters of "compliance" as one of its materialities. The entire KOITO Group is committed to engaging in compliance activities, in order to foster an organization and corporate atmosphere that places importance on compliance.

Compliance Management Structure

To strengthen our compliance system, KOITO has established the "Compliance Committee", "Compliance Promotion Office", "Internal Audit Office, and whistle-blowing desk (Corporate Ethics Consulting Desk)". The Compliance Committee meets regularly to confirm and follow up on the action plans and results of the Compliance Promotion Office and the Internal Audit Office, the operational status of the Corporate Ethics Consulting Desk, and responses to risks.

Personnel in charge of compliance are also appointed at the domestic and overseas subsidiaries to strengthen compliance and so the company can work closely with these companies and monitor their compliance status. In this way, KOITO promotes compliance-related initiatives across the entire Group.

Strengthening of Compliance

Fostering Compliance Awareness

KOITO works to foster employee awareness of compliance by distributing a portable "Ethics Card" to all employees so that the "KOITO Group Corporate Behavior Charter" can serve as a behavioral standard for employees. We also conduct an annual "Corporate Ethics Survey" for all employees to gauge the level of awareness, understanding, and implementation of the "KOITO Group Corporate Behavior Charter". Results of the survey are reported to the Board of Directors and Compliance Committee.

According to the results of the FY2023 survey, awareness of the "KOITO Group Corporate Behavior Charter" was 97%, and 100% of employees said they "act to gain customers' satisfaction and trust," "comply with relevant laws and internal rules," and "respect human rights," indicating a high level of awareness, understanding and implementation among employees.

Compliance Education

KOITO provides compliance education in its job-rank based and theme-based training in various fields, including education on the Antimonopoly Act and harassment for employees. Compliance training by outside instructors is also provided to directors, corporate officers, deputies, and managers.

KOITO also provides compliance education to suppliers, and asks suppliers to ensure compliance at each annual procurement policy briefing session.

Prevention of Harassment

In addition to training on the prevention of sexual harassment and power harassment, KOITO also provides training on the prevention of all forms of harassment, including maternity harassment and SOGI harassment, at the time of employee promotion, and also conducts training periodically for each job level.

We also regularly conduct harassment surveys of all employees, and have subordinates evaluate the behavior of their superiors (managers such as department and section managers, as well as supervisors such as section and team leaders) in the workplace. Based on the evaluation results, superiors assess the circumstances, including any differences between their own perceptions and what is reported, and work to prevent harassment by formulating and posting "My Pledge to Eradicate Harassment."

In FY2023, we designated March 2024 as "Harassment Eradication Month" and conducted awareness-raising activities, including sending out a message from the President, displaying posters, and distributing booklets to all employees, as well as implementing e-learning for supervisors and workplace climate surveys, with the aim of creating a comfortable workplace free from harassment.

In addition, with the so-called power harassment prevention-related law being applied to small and medium-sized enterprises from April 2022, we have also been checking the status of systems and contact points at affiliated companies.

Anti-Corruption Initiatives

KOITO works to prevent corruption, such as bribery, extortion, fraud, embezzlement, money laundering, conflicts of interest, illegal financing to political parties and facilitation payments, through the establishment of "Antimonopoly Act Regulations" and the implementation of periodic internal education programs.

The penalties imposed in the event of violations of laws are stipulated in our internal regulations.

Nobody in the Group was fined or dismissed for corruption in FY2023.

Prevention of Anti-Competitive Practices

KOITO works to prevent anti-competitive practices, such as market division, price-fixing, abuse of dominant position and dumping, through the establishment of the "Antimonopoly Act Regulations" and the implementation of internal education.

When KOITO employees come into contact with competitors, we conduct ex-ante and ex-post reviews to ensure that they do not engage in conduct that may violate the Antimonopoly Act.

The Internal Audit Department conducts annual audit to departments concerned with the Antimonopoly Act and Subcontract Act, with the attendance of Audit and Supervisory Board members, and the findings are reported to the Compliance Committee. If any problems were found during the audit, the details of the improvement are also reported to the Committee.

The penalties imposed in the event of violations of laws are stipulated in our internal regulations.

Nobody in the Group was fined or dismissed for anti-competitive practices in FY2023.

Promotion of Fair Procurement Activities

In order to further strengthen our fair procurement activities, KOITO periodically holds a "Subcontracting Law Workshop" for employees of relevant administrative divisions and business partners (subcontractors and others). In FY2023, a total of 1,058 people participated in this workshop, and we are working to deepen their knowledge of procurement activities.

Whistle-Blowing System

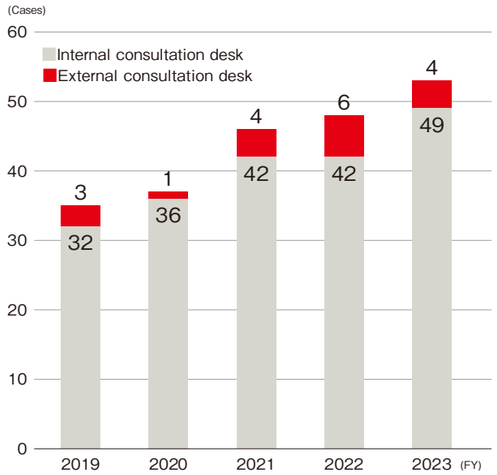
KOITO has established the "Corporate Ethics Consulting Desks" internal and external to the company, which allows employees to report or consult on compliance and harassment issues. We investigate all cases reported or consulted, take the appropriate measures, and report them to the Board of Directors and the Compliance Committee.

When operating the "Corporate Ethics Consultation Desk," we take thorough care of human rights, such as protecting the privacy of whistle-blowers and consultants and preventing disadvantages, so that users can report and consult with peace of mind. The penalties for disadvantageous treatment of whistleblowers are clearly stipulated in our internal regulations. We have been promoting awareness of the consultation desk through initiatives such as including the information on the Ethics Card, and providing education tailored to job levels. As a result, the recognition rate is 97% (FY2023).

To facilitate early identification and resolution of issues, we increased the number of female counselors and introduced an email consultation service specifically for female employees in FY2023.

We are also reviewing the "Corporate Ethics Consultation Desk Regulations" and enhancing the system by appointing designated employees and expanding the scope of coverage, in response to the enforcement of the revised Whistleblower Protection Act.

Number of consultations received



Risk Management

KOITO has enriched and strengthened its comprehensive risk management to properly identify diversifying and complex risks, to prevent risks from materializing, and to minimize damage in case problems occur.

Departments are assigned to engage in risk management, including the implementation of measures to reduce and avoid risks and daily management. Each business unit conducts related risk assessments and implements countermeasures, with the Quality Assurance Department responsible for product safety and other risks, the Procurement Department for supply chain risks, the Safety & Environment Department for natural disasters and other risks, and the executive officer responsible for each department. Training is also provided to employees regarding each type of risk.

If a risk becomes an actual problem, the basic protocol is to report the incident to the Board of Directors, the highest decision-making entity of the business administration, after which point the problem is handled in a swift and appropriate manner under the direction of the top administrators.

Natural Disaster Risks

Based on our basic policy "to prioritize human lives and maintain business continuity," KOITO examines its disaster control, initial response, and restoration operations to discover problems, and reevaluates and strengthens its BCP activities based on lessons learned through natural disasters such as the Great East Japan Earthquake; Kumamoto Earthquake; heavy rains; typhoons; and the damage expected from the Nankai Trough Earthquake.

To control damage from natural disasters such as earthquakes, KOITO implements seismic reinforcement of production site buildings, anti-fall measures for facilities and equipment, installation of emergency earthquake notification systems, regular disaster drills including evacuation and firefighting, all-employee safety confirmation drills, and general inspections of the maintenance and management of evacuation routes. KOITO also intends to minimize the damage caused by disasters by hosting lectures on checking hazard maps and evacuation.

To prevent fire, KOITO makes efforts to strengthen firefighting systems, ensuring quick extinguishing through rigorous management of hazardous materials and combustibles, such as organic solvents; increased installation and rearrangement of fire extinguishing equipment to prepare for fire; and implementation of initial firefighting training.

In addition, there are on-site inspections on safety, fire, and disaster prevention conducted at subsidiaries and suppliers. Subsidiaries in Japan also engage in mutually inspections and improvement activities each other's production sites under the "Subsidiaries Mutual Safety Inspections System" to improve the safety, fire, and disaster prevention level across the entire Group and the supply chain.

Firefighting training using fire hydrant

Nighttime entry training

Information Security

KOITO has identified "information security" as one of our materialities, and works to ensure the protection of personal information and confidential information based on the Information Security Policy, while implementing proper information security measures to realize safe and thorough management.

We have established a cybersecurity system that can detect the latest viruses and abnormal conditions at all sites, including domestic and overseas affiliates. We have also established CSIRTs (a specialized team that deals with information security issues) at each site to ensure an immediate response in the event of an emergency.

▶ Information Security Policy

KOITO MANUFACTURING CO., LTD. ("KOITO") recognizes that the appropriate management of information is a critical management issue, and has formulated an "Information Security Policy" to gain the trust of customers and society at all times. KOITO intends, from this point onwards, to comply with this Information Security Policy, maintaining and improving information security by protecting information assets from various threats and handling information appropriately.

1. Establishment of information security management system

KOITO has appointed a Chief Information Security Officer (CISO) and established an information security management system that enables prompt implementation of security information measures, to gain and maintain the trust of society. This management system shall be reviewed and improved regularly. With this CISO and management system, KOITO makes every possible effort to protect all information assets held and comply with laws, regulations, and other rules related to information security.

2. Development of internal information security-related rules

KOITO develops internal rules based on our Information Security Policy to have a clear policy for the handling not only of personal information, but also all other information assets, and makes all employees and business partners fully aware of KOITO's strict measures against information leaks, etc.

3. Implementation of appropriate information security measures

KOITO implements organizational, physical, technological, and personal security management measures so that information assets of KOITO are not subjected to unauthorized access, destruction, leakage, or alteration. These measures shall be adjusted and adapted as technological and social changes arise.

4. Implementation of internal information security audits

KOITO regularly conducts internal information security audits to verify that security measures are functioning effectively in the course of business operations, in accordance with relevant laws and internal regulations and rules.

5. Enhancement of information security literacy

KOITO provides thorough security education/training to employees etc. so that all those handling our information assets perform their duties with literacy in information security. KOITO also continues to provide its employees with education/training to respond to ever-changing circumstances.

Organization for Information Security Activities

The KOITO Group monitors computers and networks of the Group as a whole, including its domestic and overseas affiliates, and has established CSIRTs (Computer Security Incident Response Teams), capable of responding immediately to any cyber-attacks or abnormal conditions on a global basis.

KOITO's information security is managed by the Information System Department, along with the General Affairs Department and Compliance Promotion Office. Each department also periodically checks for information security risks and implements a PDCA cycle to continuously improve security.

Information Security Management System

In order to protect information assets from the risk of leaks, theft, alternation, etc., the KOITO Group operates information security management based on management standards for the confidentiality, integrity, and availability of information. Major functional divisions in particular are responsible for assuring information security and driving the improvement of security reliability. KOITO divisions responsible for design, development, sales, purchasing and quality management of automotive lighting equipment and others have also acquired ISO 27001, an international standard for information security.

The KOITO Group will continue to maintain and improve information security by improving our information security management system through continuous PDCA cycles and by expanding the scope of certifications within the Group.

Information Security Measures

To strengthen information security measures against cyberattacks, KOITO has established internal regulations based on its Information Security Policy and is implementing various cybersecurity measures, including the establishment of a group-wide monitoring system and an incident response system. We are seeking to build a strategic information management system that not only appropriately manages confidential and personal information, but also manages and utilizes intellectual property and other intangible assets.

KOITO also works to improve information security through periodic internal and external intrusion tests by external specialist agencies, to thoroughly inspect and confirm security vulnerabilities.

We evaluate the status of information security measures at domestic and overseas Group companies using information security check sheets and take measures as necessary.

We are also working to improve the security of the entire supply chain through check sheet evaluations and reviews of security standards for suppliers.

Fostering Awareness of Information Security

KOITO strives to foster awareness of information security within the company by holding annual information security training sessions for all employees, in order to prevent information security incidents.

Targeted email drills are also conducted once a year for all employees. The results are reported at Managing Committee and IT Meetings, with measures taken as necessary.

Moreover, KOITO periodically provides information on information security to all employees via email, introducing case studies of information security, precautions for remote workers, and alerts for possible targeted email attacks.

We also ask our suppliers to implement information security-related measures and conduct necessary assessments and improvements using checklists and other means.

Intellectual Property

The KOITO Group regards its intellectual property as the source of its international competitiveness and develops business strategies by integrating its R&D and intellectual property strategies. KOITO will continue to encourage activities to create intellectual property and work to protect and utilize intellectual property rights in an appropriate manner. In the meantime, we will also respect the intellectual property rights of others and strive to prevent infringement of these rights.

Intellectual Property Management System

The KOITO Group has established an intellectual property management system centered on KOITO MANUFACTURING and is formulating and implementing an intellectual property strategy that is integrated with its business strategy. KOITO MANUFACTURING holds approximately 3,400 patents and utility models (as of the end of March 2024), mainly in Japan, the U.S., Europe, and China, for numerous products related to automotive headlamps (including ADBs) and sign lights, which contribute to maintaining and improving the business superiority and competitiveness of the entire Group.

The Group is also working as a whole to build intellectual property assets and avoid infringement risks by acquiring intellectual property rights on a global basis, concluding licensing agreements, and strengthening measures against infringement.

Measures to Prevent Violation of Intellectual Property

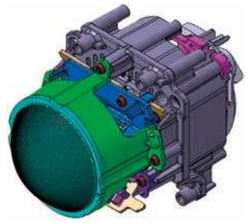
Given the importance the company places on intellectual property, the KOITO Group provides training on intellectual property rights through the job-rank based education system to increase the awareness of intellectual property rights for every employee.

KOITO has also introduced a patent research system available to all researchers and designers to avoid violating the intellectual property rights of others and preventing future conflicts.

External Evaluations of Owned Patents

KOITO actively applies for awards sponsored by external organizations such as the Ministry of Economy, Trade and Industry. Through the receipt of numerous awards, we are enhancing the recognition of our advanced technologies and increasing employee motivation in the product development department.

In FY2022, the "ADB headlamps with low beam integrated LED on/off system" won the "Excellence Award" (Product and Technology Development Category) at the 9th Monodzukuri Nippon Grand Awards (sponsored by the Ministry of Economy, Trade and Industry, etc.).



Unit awarded the "Monodzukuri Nippon Grand Award"

Tax Policy

The KOITO Group recognizes the importance of paying appropriate taxes and promotes sound tax activities in accordance with the tax laws and policies of each country and region, while also working to build a proper tax governance system.

▶ Tax Policy

1. Tax Compliance

KOITO MANUFACTURING CO., LTD. ("KOITO") and its subsidiaries ("the KOITO Group") comply with tax codes as well as relevant laws and regulations, file the proper tax returns, and pay taxes in each country and region where we conduct business.

The KOITO Group does not engage in tax avoidance using tax havens or use tax planning that does not coincide with business conditions.

2. Tax Governance System

The KOITO Group works to comply with the tax laws, systems and administrative operations in each country with the cooperation of its Group companies in an effort to minimize tax risks.

The tax risks of the KOITO Group are managed under the discretion of the Chief Financial Officer according to reports from each Group company.

In addition, the KOITO Group will seek the advice and guidance of external experts for any complex risks or grave matters of concern and will respond to such risks and matters after investigation, evaluation, and deliberation.

3. Transfer Pricing

The KOITO Group will adhere to arm's length transaction principles with an understanding of the OECD Transfer Pricing Guidelines and domestic tax Base Erosion and Profit Shifting (BEPS), to set the price of transactions between Group companies.

In addition, the KOITO Group will seek the advice and guidance of external experts as necessary to reduce the tax risks related to transfer pricing.

4. Elimination of Dual Taxation

The KOITO Group applies tax treaties to eliminate dual taxation on the same economic profits from multiple countries and regions.

5. Relationship with Tax Authorities

The KOITO Group responds appropriately to any inquiries and requests for information from the tax authorities in each country and region where it does business, with good faith and in a timely manner, in an effort to build and maintain good trust with tax authorities.

If any question arises between the KOITO Group and a tax authority about tax practices, our understanding of tax codes, or other tax-related matters, the KOITO Group will work with the relevant tax authority to resolve the matter in question.

Executive Management (As of June 27, 2024)

Chairman and CEO

Masahiro Otake

April 1977 Joined KOITO
June 1987 Director
June 1993 Managing Director
June 1999 Senior Managing Director
June 2005 Executive Vice President
June 2007 President
June 2015 Chairman (present position)

Reason for appointment
Mr. Masahiro Otake has acquired extensive experience and a high level of insight through previously serving as President. He has also been involved with KOITO's management as a Director and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

President and COO

Michiaki Kato

April 1982 Joined KOITO
October 2004 General Manager of Euro-American Operations
June 2005 Director
June 2011 Managing Director
June 2012 Managing Corporate Officer
June 2013 Director and Managing Corporate Officer
June 2017 Senior Managing Director
June 2021 President (present position)

Reason for appointment
Mr. Michiaki Kato has acquired extensive experience and a high level of insight through serving as President and in other positions. He has also been involved with KOITO's management as a Director and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

Executive Vice President

Masami Uchiyama

April 1983 Joined KOITO
June 2005 General Manager of Personnel Department
June 2007 Director
June 2011 Managing Director
June 2012 Director and Managing Corporate Officer
June 2017 Senior Managing Director
June 2021 Executive Vice President (present position)
Production Headquarters
Shizuoka Plant
Aircraft Equipment Division
In charge of
International Operations Headquarters
Sustainability Promotion Office
General Affairs Department, Shizuoka
Logistics Department
Safety Environment Department
Production Control Department
Electronics Production Department present position

Reason for appointment
Since joining KOITO, Mr. Masami Uchiyama has acquired extensive experience and a high level of insight through serving as Head of Production Headquarters and in other positions. He has also been involved with KOITO's management as a Director and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

Executive Vice President

Hideharu Konagaya

April 1987 Joined KOITO
April 2006 General Manager of Accounting Department
June 2009 Director
June 2012 Corporate Officer
June 2013 Managing Corporate Officer
June 2015 Director and Managing Corporate Officer
June 2017 Senior Managing Director
June 2023 Executive Vice President (present position)
Procurement Headquarters
In charge of
Finance & Accounting Headquarters
General Affairs Department (present position)

Reason for appointment
Since joining KOITO, Mr. Hideharu Konagaya has acquired extensive experience and a high level of insight through serving as Head of Finance & Accounting Headquarters, Procurement Headquarters and in other positions. He has also been involved with KOITO's management as a Director and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

Senior Managing Director

Katsuyuki Kusakawa

April 1980 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
January 2009 Seconded to Toyota Motor Sales, U.S.A., Inc.
March 2011 Standing Adviser
June 2011 Managing Director
June 2012 Director and Managing Corporate Officer
June 2019 Senior Managing Director (present position)
In charge of
Corporate Planning Department
Compliance Department
Personnel Department
Cost Administration Department (present position)

Reason for appointment
Since joining KOITO, Mr. Katsuyuki Kusakawa has acquired extensive experience and a high level of insight through serving as Deputy Head of Engineering Headquarters and in other positions. He has also been involved with KOITO's management as a Director and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

Senior Managing Director

Jun Toyota

April 1983 Joined KOITO
January 2005 Director, Koito Europe NV (KENV)
June 2005 Director
June 2012 Corporate Officer
June 2013 Managing Corporate Officer
June 2015 President, North American Lighting, Inc. (NAL)
June 2017 Director and Managing Corporate Officer
June 2021 Senior Managing Director
June 2022 Senior Managing Corporate Officer
June 2023 Senior Managing Director (present position)
Sales Headquarters (present position)

Reason for appointment
Since joining KOITO, Mr. Jun Toyota has acquired extensive experience and a high level of insight through serving as Head of International Operations Headquarters, Sales Headquarters and in other positions. He has also been involved with KOITO's management as a Director and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of Board of Directors' meetings attended (FY2023)	10/10 (100%)

Outside Director **Independent**

Haruya Uehara

April 1969 Joined The Mitsubishi Trust and Banking Corporation (currently Mitsubishi UFJ Trust and Banking Corporation)
June 1996 Director
June 1998 Managing Director
June 2001 Senior Managing Director
June 2002 Director, Deputy President
April 2004 President
October 2005 President, Mitsubishi UFJ Trust and Banking Corporation
June 2008 Chairman
April 2012 Senior Adviser
June 2013 Outside Director, KOITO (present position)
July 2018 Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation (present position)

Reason for appointment
Mr. Haruya Uehara serves as Senior Advisor to Mitsubishi UFJ Trust and Banking Corporation, so that his knowledge and experience may be reflected in KOITO's management, and he may fulfill a supervisory function from this perspective.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

Outside Director **Independent**

Kingo Sakurai

March 1972 Registered as a certified public accountant
June 1983 Independent Auditor, KOITO
June 2009 Resigned Independent Auditor
July 2009 Adviser (part time), KOITO
June 2017 Outside Director (present position)

Reason for appointment
Mr. Kingo Sakurai is a certified public accountant, so that his knowledge and experience may be reflected in KOITO's management, and he may fulfill a supervisory function from this perspective.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

Outside Director **Independent** **Female**

Chika Igarashi

April 1997 Registered as an attorney
Joined a law firm in Tokyo
July 2006 Joined Asahi Law Office (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo)) (present position)
June 2007 Registered as an attorney at law in New York State
June 2022 Outside Director, KOITO (present position)

Reason for appointment
Ms. Chika Igarashi is an attorney so that her knowledge and experience may be reflected in KOITO's management, and she may fulfill a supervisory function from this perspective.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)

Outside Director **Independent** **Female**

Risa Tanaka

April 1993 Joined Sendenkaigi Co., Ltd.
November 2008 Director, Vice President, and Head of Editorial Office
April 2016 President, The Graduate School of Project Design, Advanced Academic Agency (present position)
April 2021 Executive Director (part-time) and Executive Vice President, Mie University (present position)
June 2021 Outside Director, IMURAYA GROUP CO., LTD. (present position)
June 2024 Outside Director, KOITO (present position)

Reason for appointment
Ms. Risa Tanaka previously served as Director, Vice President, and Head of the Editorial Office of Sendenkaigi Co., Ltd., a publisher of public relations, advertising, and marketing magazines. Her current positions include President of the Graduate School of Project Design at the Advanced Academic Agency, Executive Director and Executive Vice President of Mie University, and a member of various councils at government ministries, including the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Internal Affairs and Communications. KOITO appointed her as an Outside Director so that her knowledge and experience may be reflected in KOITO's management, and she may fulfill a supervisory function from this perspective.

Executive Management (As of June 27, 2024)

Standing Audit and Supervisory Board Member

Mitsuo Kikuchi

April 1968 Joined KOITO
April 1995 General Manager, Production Control Department
June 1999 Director
June 2005 Managing Director
June 2006 Senior Managing Director
June 2009 Executive Vice President
June 2013 Standing Audit and Supervisory Board Member (present position)

Reason for appointment
Since joining KOITO, Mr. Mitsuo Kikuchi has acquired extensive experience and a high level of insight through serving as Head of Sales Headquarters, Deputy Head of Production Headquarters and in other positions. He has also been involved with KOITO's management as a Director so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)
Number of Audit and Supervisory Board's meetings attended (FY2023)	8/8 (100%)

Standing Audit and Supervisory Board Member

Koichi Sakakibara

April 1975 Joined KOITO
June 1999 General Manager of Product Development Department
June 2001 Director
June 2007 Managing Director
June 2009 Senior Managing Director
June 2013 Executive Vice President
June 2021 Standing Audit and Supervisory Board Member (present position)

Reason for appointment
Since joining KOITO, Mr. Koichi Sakakibara has acquired extensive experience and a high level of insight through serving as Head of Production Headquarters and in other positions. He has also been involved with KOITO's management as a Director so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)
Number of Audit and Supervisory Board's meetings attended (FY2023)	8/8 (100%)

Outside Audit and Supervisory Board Member **Independent**

Hiroshi Kimeda

April 1993 Public Prosecutor, Tokyo District Public Prosecutors Office
April 1997 Public Prosecutor, Special Investigation Department, Tokyo District Public Prosecutors Office
August 1998 Visiting scholar, Notre Dame Law School in U.S.A.
June 1999 Public Prosecutor, Criminal Affairs Bureau, Ministry of Justice
June 2001 Assistant Division Chief, Planning and Legal Division, Financial Services Agency
August 2002 Registered as an attorney
Joined Nishimura & Partners (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo)) (present position)
January 2019 Outside Audit and Supervisory Board Member, KOITO (present position)

Reason for appointment
Mr. Hiroshi Kimeda is an attorney, so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of Board of Directors' meetings attended (FY2023)	12/12 (100%)
Number of Audit and Supervisory Board's meetings attended (FY2023)	8/8 (100%)

Outside Audit and Supervisory Board Member **Independent**

Hidemi Yamaguchi

April 1972 Joined Tokyo Regional Taxation Bureau
July 2002 Deputy District Director, Sumiyoshi Tax Office
July 2007 Director, Planning Division, Management and Co-ordination Department, Tokyo Regional Taxation Bureau
July 2008 District Director, Kitazawa Tax Office
July 2013 Assistant Regional Commissioner, Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
August 2014 Registered as a certified tax accountant
July 2016 Adviser (part time), KOITO
June 2023 Outside Audit and Supervisory Board Member, KOITO (present position)

Reason for appointment
Mr. Hidemi Yamaguchi is a certified tax accountant, so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of Board of Directors' meetings attended (FY2023)	10/10 (100%)
Number of Audit and Supervisory Board's meetings attended (FY2023)	6/6 (100%)

Senior Managing Corporate Officer

Takayuki Katsuda
Eisuke Shibata
Takahito Otake

Managing Corporate Officer

Atsushi Inoue
Toshiyuki Katsumata
Kakuya Yamamoto
Manabu Kobayashi
Masayuki Otake
Koji Shimakura
Kenichi Yoshioka

Corporate Officer

Hideki Ochiai
Masataka Choji
Kohei Yamasaki
Kazuhiro Aoshima
Kishore Ahuja
Toshiyuki Tanaka
Hideki Oshima
Hiroaki Koito
Takeshi Masuda
Toru Miyajima

Corporate Information

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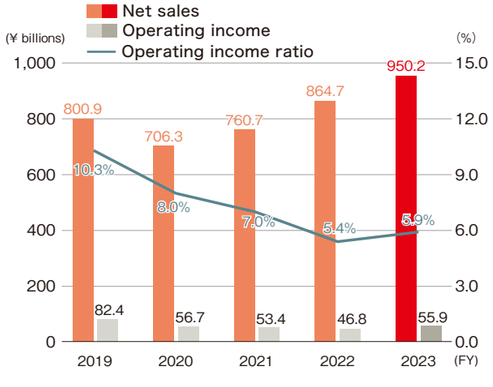
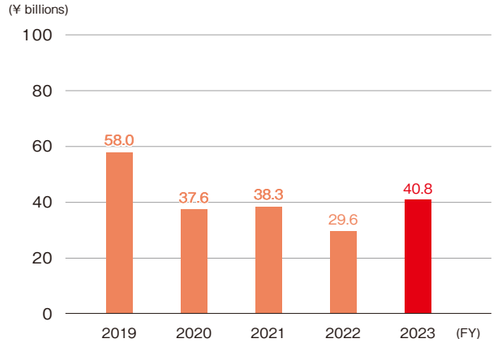
Financial and Non-financial Highlights

Financial Highlights

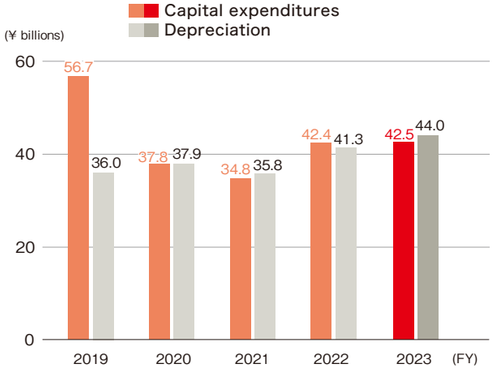
Net sales/operating profit/operating profit ratio on sales



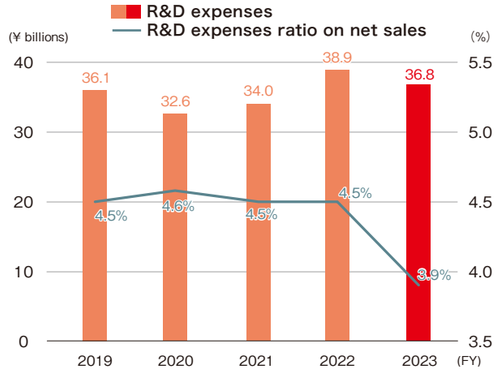
Profit attributable to owners of parent



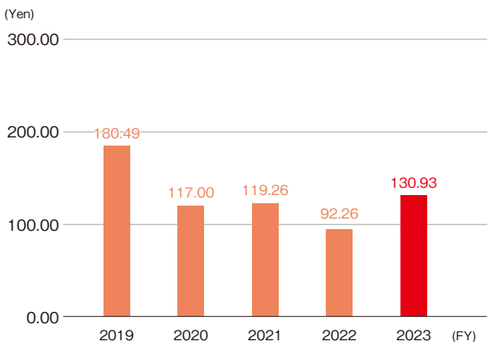
Capital expenditures and depreciation



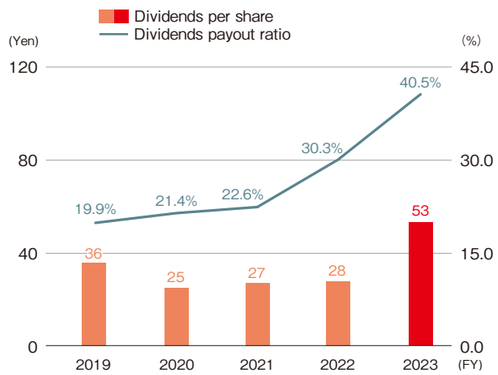
R&D expenses and R&D expenses ratio on net sales



Earnings per share (EPS)



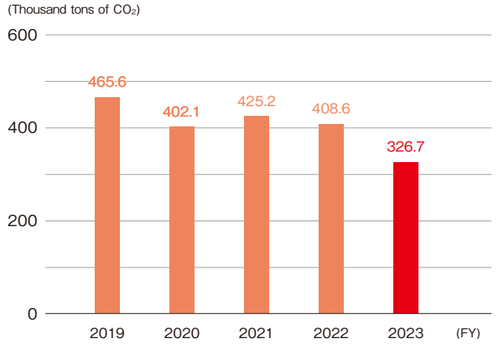
Dividends per share and dividends payout ratio



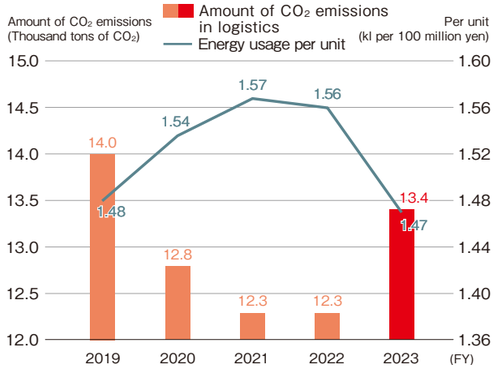
※Effective October 1, 2022, a 2-for-1 stock split of common stock was conducted.
The dividends per share stated above are calculated assuming the stock split was conducted at the beginning of FY2019.

Non-financial Highlights

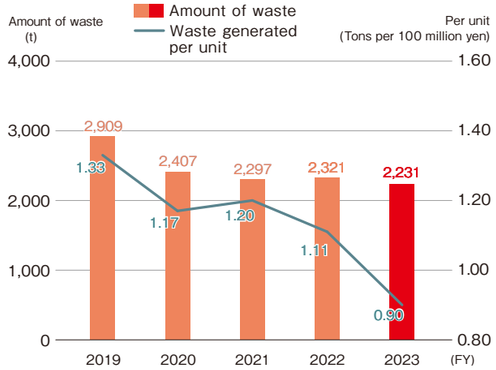
Greenhouse Gas Emissions



Amount of CO_2 emissions and energy usage per unit in logistics

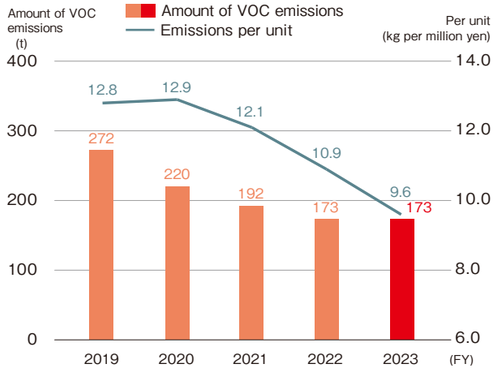


Amount of waste and waste generated per unit



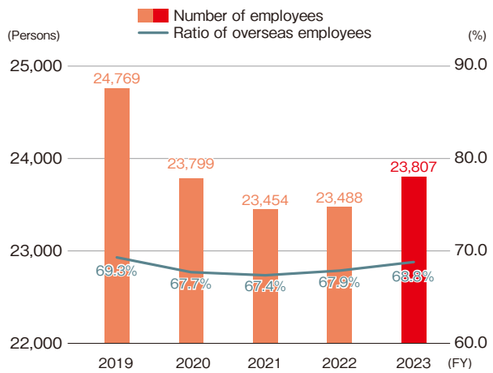
※Non-consolidated

Amount of VOC emissions and VOC emissions per unit

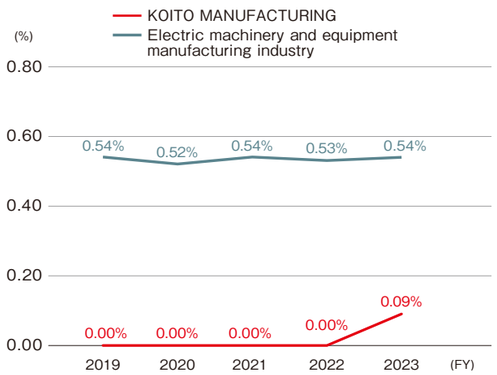


※Non-consolidated

Number of employees and ratio of overseas employees



Rate of lost-time injuries (Lost-time)



Financial Summary of the Last 11 Years

KOITO MANUFACTURING and its consolidated subsidiaries

(¥ millions)

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales		597,502	706,470	813,477	841,456	848,868	826,257	800,928	706,376	760,719	864,719	**950,295**
Operating profit		49,506	64,155	82,218	92,523	103,785	101,534	82,411	56,707	53,434	46,847	**55,995**
Operating profit ratio on sales	(%)	8.3	9.1	10.1	11.0	12.2	12.3	10.3	8.0	7.0	5.4	**5.9**
Recurring profit		51,895	66,880	84,296	95,336	107,945	105,494	85,264	61,107	60,613	48,532	**63,265**
Profit attributable to owners of parent		21,378	36,060	46,303	56,692	83,397	72,895	58,022	37,612	38,340	29,660	**40,879**
Cash flows from operating activities		35,572	73,289	73,828	98,388	94,793	96,666	84,972	74,962	65,707	59,762	**96,370**
Cash flows from investing activities		△ 36,030	△ 55,526	△ 62,777	△ 72,486	△ 67,260	△ 25,906	△ 44,728	△ 1,093	△ 52,151	△ 71,539	**△ 50,155**
Cash flows from financing activities		5,377	△ 14,376	△ 10,062	△ 16,624	△ 17,633	△ 13,063	△ 32,010	△ 18,324	△ 8,491	△ 13,281	**△ 59,677**
Cash and cash equivalents at end of year		27,750	33,082	31,886	39,500	41,050	97,993	104,202	161,855	169,581	145,798	**134,560**
Capital expenditures		34,561	48,470	41,322	40,284	33,759	54,053	56,737	37,887	34,842	42,446	**42,527**
Depreciation		21,522	25,919	31,719	31,721	32,287	32,060	36,066	37,962	35,811	41,324	**44,000**
R&D expenses		24,761	27,955	32,642	34,226	36,101	34,024	36,121	32,671	34,024	38,955	**36,852**
R&D expenses ratio on sales	(%)	4.1	4.0	4.0	4.1	4.3	4.1	4.5	4.6	4.5	4.5	**3.9**
As of the End of the Fiscal Year												
Total assets		483,093	575,268	588,683	658,341	672,055	738,175	729,715	782,163	855,237	905,909	**965,595**
Net assets		256,072	316,826	329,671	381,000	444,808	503,564	513,524	569,438	627,315	670,506	**719,270**
Property, plant and equipment		114,080	140,859	139,100	141,538	133,935	158,769	170,082	171,615	182,608	194,320	**206,305**
Interest-bearing liabilities		43,510	41,500	41,249	35,057	28,929	32,482	29,526	20,945	25,021	22,647	**14,295**
Data Per Share												
Net income	(yen)	66.52	112.21	144.08	176.40	259.45	226.76	180.49	117.00	119.26	92.26	**130.93**
Dividends	(yen)	13	20	18	27	48	46	36	25	27	28	**53**
Consolidated dividends payout ratio	(%)	19.5	17.8	12.5	15.3	18.5	20.3	19.9	21.4	22.6	30.3	**40.5**
Net assets	(yen)	684.36	837.46	890.47	1,045.44	1,275.74	1,435.12	1,494.72	1,672.33	1,838.24	1,955.44	**2,182.85**
Financial Indicators												
Equity ratio	(%)	45.5	46.8	48.6	51.0	61.0	62.5	65.8	68.7	69.1	69.4	**69.6**
Return on equity (ROE)	(%)	10.4	14.8	16.7	18.2	22.4	16.7	12.3	7.4	6.8	4.9	**6.3**
Return on assets (ROA)	(%)	4.7	6.8	8.0	9.1	12.5	10.3	7.9	5.1	5.0	3.4	**4.8**
Price earnings ratio (PER)	(times)	13.1	16.1	17.7	16.4	14.2	13.8	10.1	31.7	20.9	27.1	**19.4**
Price book-value Ratio (PBR)	(times)	1.3	2.2	2.9	2.8	2.9	2.2	1.2	2.2	1.4	1.3	**1.2**

※1 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019, therefore, the key performance indicators, etc., pertaining to the fiscal year ended March 31, 2018 are those after retrospective application of the relevant accounting standard.

※2 Effective October 1, 2022, a 2-for-1 stock split of common stock was conducted. The dividends per share stated above are calculated assuming the stock split was conducted at the beginning of the fiscal year ended March 31, 2014.

※3 Return on assets (ROA) is calculated by "profit attributable to owners of parent / average total assets during the period."

Consolidated Financial Statements

Consolidated Balance Sheets

(¥ millions)

Items	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Assets		
Current assets	594,042	582,498
Cash and time deposits	315,039	302,874
Trade notes	5,060	6,382
Electronically recorded monetary claims-operating	9,391	8,699
Accounts receivable	131,104	127,597
Contract assets	3,136	1,468
Inventories	95,669	95,796
Other current assets	34,912	40,040
Allowance for doubtful accounts	△ 271	△ 360
Non-current assets	311,866	383,096
Property, plant and equipment	194,320	206,305
Buildings and structures (net)	56,363	59,416
Machinery and transportation equipment (net)	78,745	85,024
Fixtures, equipment and tools (net)	18,462	20,226
Land	18,572	19,078
Construction in progress	16,804	16,424
Other property, plant and equipment	5,372	6,136
Intangible fixed assets	2,692	2,482
Investments and other assets	114,853	174,308
Investment securities	95,510	147,537
Claims provable in bankruptcy, claims provable in rehabilitation and other	270	452
Deferred income tax assets	13,288	19,563
Net defined assets for retirement benefits	2,849	3,677
Other investments	3,325	3,646
Allowance for doubtful accounts	△ 390	△ 568
Total assets	905,909	965,595
Liabilities		
Current liabilities	186,918	192,479
Trade notes and accounts payable	107,216	103,100
Electronically recorded monetary obligations-operating	3,712	3,036
Short-term loans	22,647	14,295
Accrued expenses	24,693	28,613
Income taxes payable	7,225	9,857
Contract Liabilities	2,017	3,110
Allowance for employees' bonuses	6,386	6,720
Reserve for product warranties	3,560	3,246
Other current liabilities	9,457	20,497
Non-current liabilities	48,483	53,845
Deferred income tax liabilities	17,567	27,879
Allowance for directors' and corporate auditors' retirement benefits	321	312
Reserve for product warranties	4,105	3,436
Net defined liability for retirement benefits	20,987	16,253
Other non-current liabilities	5,500	5,963
Total liabilities	235,402	246,324

※The amounts are rounded down to the nearest million yen.

(¥ millions)

Items	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Net assets		
Shareholders' equity	558,585	551,691
Common stock	14,270	14,270
Additional paid-in capital	13,420	13,188
Retained earnings	530,939	524,380
Treasury common stock, at cost	△ 45	△ 148
Accumulated other comprehensive income	70,073	120,133
Valuation adjustment on marketable securities	24,942	43,791
Translation adjustments	43,019	71,499
Adjustments in defined benefit plans	2,111	4,843
Subscription rights to shares	171	106
Non-controlling interests	41,675	47,338
Total net assets	670,506	719,270
Total liabilities and net assets	905,909	965,595

Consolidated Statements of Income and Loss

(¥ millions)

Items	FY2022	FY2023
Net sales	864,719	950,295
Cost of sales	768,889	843,620
Gross profit	95,829	106,674
Selling, general and administrative expenses	48,982	50,679
Operating profit	46,847	55,995
Non-operating profit	6,360	9,977
Interest income	1,842	3,514
Dividends	1,416	1,659
Foreign exchange gains	-	2,473
Other non-operating profit	3,100	2,330
Non-operating expenses	4,675	2,708
Interest expenses	921	548
Shares of loss of entities accounted for using equity method	684	358
Foreign exchange losses	2,009	–
Loss on operation of investment business association	87	360
Stock acquisition expenses	–	454
Other non-operating expenses	972	987
Recurring profit	48,532	63,265
Extraordinary gains	12,488	4,553
Extraordinary losses	11,945	8,329
Income before income taxes	49,074	59,489
Total income taxes	14,824	14,619
Net income	34,250	44,870
(Breakdown)		
Profit attributable to non-controlling interests	4,589	3,990
Profit attributable to owners of parent	29,660	40,879

Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

FY2022 (April 1, 2022 to March 31, 2023)

(¥ millions)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	**14,270**	**13,399**	**509,958**	**△49**	**537,578**
Changes during fiscal year					
Dividends from retained earnings	—	—	△8,680	—	△8,680
Profit attributable to owners of parent	—	—	29,660	—	29,660
Purchases of treasury stock	—	—	—	△1	△1
Disposal of treasury stock	—	21	—	6	27
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	**—**	**21**	**20,980**	**4**	**21,006**
Balance at fiscal year-end	**14,270**	**13,420**	**530,939**	**△45**	**558,585**

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	**23,560**	**27,924**	**1,895**	**53,379**	**199**	**36,157**	**627,315**
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	△8,680
Profit attributable to owners of parent	—	—	—	—	—	—	29,660
Purchases of treasury stock	—	—	—	—	—	—	△1
Disposal of treasury stock	—	—	—	—	—	—	27
Changes in items other than shareholders' equity during fiscal year (net)	1,382	15,095	216	16,694	△27	5,517	22,184
Total changes during fiscal year	**1,382**	**15,095**	**216**	**16,694**	**△27**	**5,517**	**43,191**
Balance at fiscal year-end	**24,942**	**43,019**	**2,111**	**70,073**	**171**	**41,675**	**670,506**

FY2023 (April 1, 2023 to March 31, 2024)

(¥ millions)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	**14,270**	**13,420**	**530,939**	**△45**	**558,585**
Changes during fiscal year					
Dividends from retained earnings	—	—	△12,838	—	△12,838
Profit attributable to owners of parent	—	—	40,879	—	40,879
Purchases of treasury stock	—	—	—	△35,000	△35,000
Disposal of treasury stock	—	△8	—	73	64
Transfer from retained earnings to additional paid-in capital	—	34,598	△34,598	—	—
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	**—**	**△232**	**△6,558**	**△103**	**△6,894**
Balance at fiscal year-end	**14,270**	**13,188**	**524,380**	**△148**	**551,691**

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	**24,942**	**43,019**	**2,111**	**70,073**	**171**	**41,675**	**670,506**
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	△12,838
Profit attributable to owners of parent	—	—	—	—	—	—	40,879
Purchases of treasury stock	—	—	—	—	—	—	△35,000
Disposal of treasury stock	—	—	—	—	—	—	64
Transfer from retained earnings to additional paid-in capital	—	—	—	—	—	—	—
Changes in items other than shareholders' equity during fiscal year (net)	18,848	28,479	2,731	50,060	△64	5,663	55,658
Total changes during fiscal year	**18,848**	**28,479**	**2,731**	**50,060**	**△64**	**5,663**	**48,764**
Balance at fiscal year-end	**43,791**	**71,499**	**4,843**	**120,133**	**106**	**47,338**	**719,270**

Consolidated Statements of Cash Flows

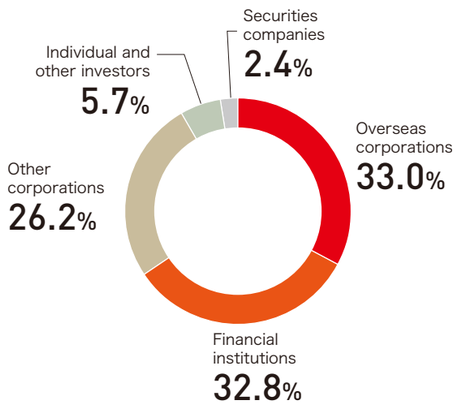
(¥ millions)

	FY2022 (April 1, 2022 to March 31, 2023)	**FY2023 (April 1, 2023 to March 31, 2024)**
Income before income taxes	49,074	**59,489**
Depreciation	41,324	**44,000**
Increase or decrease in trade notes and accounts receivable	△ 17,107	**11,986**
Increase or decrease in inventories	△ 2,949	**5,678**
Increase or decrease in trade notes and accounts payable	1,495	**△ 9,338**
Income taxes paid	△ 14,158	**△ 17,368**
Others	2,083	**1,923**
Cash flows from operating activities	**59,762**	**96,370**
Increase or decrease in time deposits	△ 11,803	**6,536**
Acquisition of property and equipment	△ 39,834	**△ 37,115**
Others	△ 19,902	**△ 19,366**
Cash flows from investing activities	**△ 71,539**	**△ 50,155**
Increase or decrease in loans	△ 2,660	**△ 9,899**
Payments for repurchase of treasury stock	△ 1	**△ 35,000**
Dividends paid	△ 9,883	**△ 14,260**
Others	△ 737	**△ 518**
Cash flows from financing activities	**△ 13,281**	**△ 59,677**
Effect of exchange rate changes on cash and cash equivalents	1,274	**2,224**
Increase in cash and cash equivalents	**△ 23,783**	**△ 11,237**
Cash and cash equivalents at beginning of year	169,581	**145,798**
Cash and cash equivalents at end of year	**145,798**	**134,560**

Stock Information (As of March 31, 2024)

Number of shares authorized	640,000,000 shares
Number of shares issued	307,833,172 shares
Number of shareholders	19,052
(Number of unit shareholders in the above	17,633)

Shareholding Distribution by Owner Category (Ratio of number of shares)

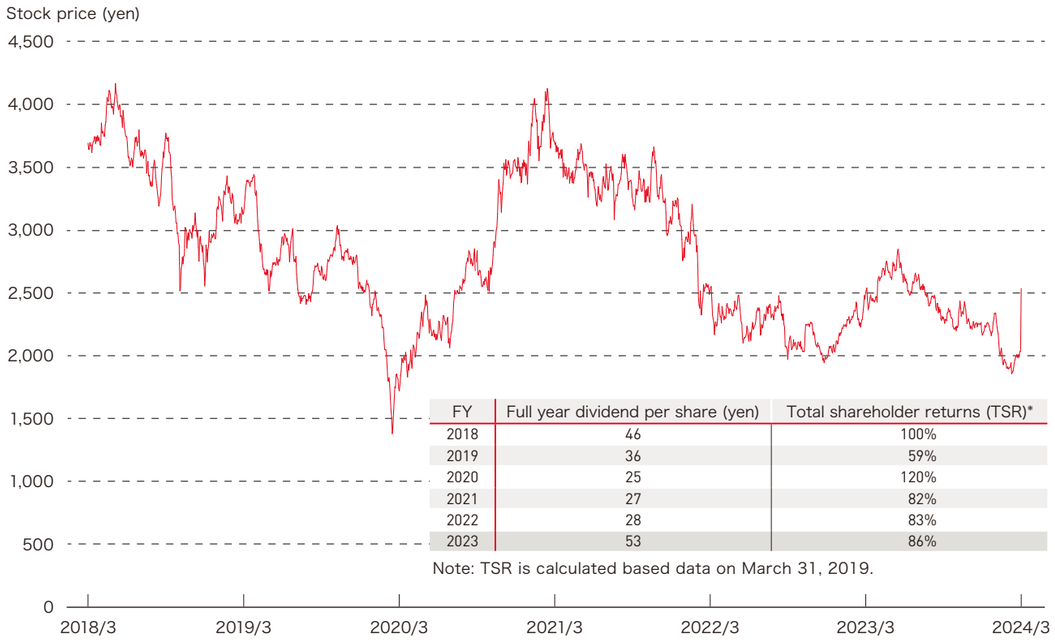


Major Shareholders

Shareholders	Number of shares held (thousands)
Toyota Motor Corporation	64,316
The Master Trust Bank of Japan, Ltd. (Trust account)	33,712
Custody Bank of Japan, Ltd. (Trsut account)	10,643
Nippon Life Insurance Company	9,688
Sumitomo Mitsui Banking Corporation	8,164
The Dai-ichi Life Insurance Company, Limited	8,001
MUFG Bank, Ltd.	7,731
CEP LUX-ORBIS SICAV	6,597
Sumitomo Life Insurance Company	4,794
JP Morgan Securities Japan Co., Ltd.	4,060

Note: The number of shares is rounded down to the nearest thousand.

Stock Price Transition/Total Shareholder Returns (TSR)



FY	Full year dividend per share (yen)	Total shareholder returns (TSR)*
2018	46	100%
2019	36	59%
2020	25	120%
2021	27	82%
2022	28	83%
2023	53	86%

Note: TSR is calculated based data on March 31, 2019.

Notes: On October 1, 2022, we carried out a 2-for-1 stock split of common shares. The above figures reflect the impact of this stock split and show the changes in indicators after retroactive adjustments have been made.

Corporate Information (As of March 31, 2024)

Corporate Profile

Company Name	KOITO MANUFACTURING CO., LTD.
Founded	April 1, 1915
Incorporated	April 1, 1936
Capital	¥14,270 million
Number of employees	[consolidated] 23,807 [non-consolidated] 4,230
Head Office	Sumitomo Fudosan Osaki Twin Bldg. East, 5-1-18, Kitashinagawa, Shinagawa-ku, Tokyo 141-0001, Japan Phone: +81-3-3443-7111 Fax: +81-3-3447-1520

The KOITO Group's Subsidiaries and Affiliates

Company Name	Capital	Business Lines
KOITO KYUSHU LIMITED	3,000 million yen	Manufacturing and marketing of automotive lighting equipment
Koito Transport Co., Ltd.	40 million yen	Transportation services and logistics
Aoitec Co., Ltd.	100 million yen	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery
Shizuokadenso Co., Ltd.	76 million yen	Manufacturing and marketing of automotive lighting equipment
Nissei Industries Co., Ltd.	51 million yen	Manufacturing and marketing of miniature bulbs and electrical equipment
Fujieda Auto Lighting Co., Ltd.	100 million yen	Manufacturing and marketing of automotive lighting equipment
Shizuoka Wire Harness Co., Ltd.	100 million yen	Manufacturing and marketing of automotive lighting equipment
Haibara Machine and Tools Co., Ltd.	50 million yen	Manufacturing and marketing of resin metal molds
Shizuoka Kanagata Co., Ltd.	20 million yen	Manufacturing and marketing of resin metal molds
Koito Insurance Services Co., Ltd.	10 million yen	Insurance agent
Takeda Suntech Co., Ltd.	15 million yen	Manufacturing and marketing of resin metal molds
New Fuji Co., Ltd.	10 million yen	Service businesses
KOITO ELECTRIC INDUSTRIES, LTD.	90 million yen	Manufacturing and marketing of railroad car control equipment, road traffic signals and traffic control systems, and seats for railroad cars, etc.
Minatsu, Ltd.	40 million yen	Maintenance and upkeep of traffic signals and safety equipment
Okayama Industry Co., Ltd.	50 million yen	Manufacturing and marketing of railroad car seats
North American Lighting, Inc.	130 million USD	Manufacturing and marketing of automotive lighting equipment
North American Lighting Mexico. S.A. de C.V.	750 million MXN	Manufacturing and marketing of automotive lighting equipment
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	303 million Real	Manufacturing and marketing of automotive lighting equipment
Koito Europe Limited	65 million Pound Sterling	Manufacturing and marketing of automotive lighting equipment
Koito Czech s.r.o.	1,000 million Czech Koruna	Manufacturing and marketing of automotive lighting equipment
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	4,000 million yen	Manufacturing and marketing of automotive lighting equipment
Hubei Koito Automotive Lamp Co., Ltd.	5,000 million yen	Manufacturing and marketing of automotive lighting equipment
FUZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	9,000 thousand USD	Manufacturing and marketing of automotive lighting equipment
THAI KOITO COMPANY LIMITED	365.2 million Thai Baht	Manufacturing and marketing of automotive lighting equipment
PT. INDONESIA KOITO	60 million USD	Manufacturing and marketing of automotive lighting equipment
Ta Yih Industrial Co., Ltd.	762.3 million Taiwan Dollar	Manufacturing and marketing of automotive lighting equipment
INDIA JAPAN LIGHTING PRIVATE LIMITED	4,099 million Indian Rupee	Manufacturing and marketing of automotive lighting equipment
KOITO MALAYSIA SDN. BHD.	200 million Ringgit	Manufacturing and marketing of automotive lighting equipment
BrightWay Vision Ltd.	69 thousand USD	Developing and manufacturing of Forward Monitoring System for ADAS